MINNESOTA FAMILY INVESTMENT PLAN

HEARING

BEFORE THE

SUBCOMMITTEE ON DOMESTIC MARKETING, CONSUMER RELATIONS, AND NUTRITION

OF THE

COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES

ONE HUNDRED FIRST CONGRESS

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MINNESOTA FAMILY INVESTMENT PLAN

TUESDAY, JULY 11, 1989

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON DOMESTIC MARKETING,
CONSUMER RELATIONS, AND NUTRITION,
COMMITTEE ON AGRICULTURE,
Washington, DC.

The subcommittee met, pursuant to call, at 1:30 p.m., in room 1302, Longworth House Office Building, Hon. Charles Hatcher (chairman of the subcommittee) presiding.

Present: Representatives Staggers, Emerson, and Lewis.

Also present: Representative E (Kika) de la Garza, chairman of the committee.

Staff present: Glenda L. Temple, clerk; Julia Paradis, Dean Mitchell, Anita R. Brown, and Lynn Gallagher.

OPENING STATEMENT OF HON. CHARLES HATCHER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF GEORGIA

Mr. HATCHER. The hearing will come to order.

Good afternoon, and welcome to this subcommittee hearing on the welfare reform proposal of the State of Minnesota, called the Minnesota Family Investment Plan.

I am very much impressed with the effort and commitment of that State that has resulted in this proposal coming to us today. Governor Perpich has expressed to me his personal commitment to the plan, and I understand the Minnesota Legislature has recently passed legislation authorizing the further development of the proposal.

I recognize the need for simplification in the Food Stamp Program, as well as in other welfare programs, and it is important I think for us to support projects that have the potential of demonstrating more efficient and effective methods of helping those who need help. The Minnesota plan is also structured to encourage families to transition to self-sufficiency. This is a challenging concept presented today, and while it demands careful scrutiny, I think it has potential for real rewards for recipients and society.

Minnesota officials have assured me that the project will be cost neutral to the Federal Government. Any additional cost generated by the program would be borne by the taxpayers of the State of Minnesota. This is, I think, a significant commitment by that State, and I think it could be vital to that State's effort to win Federal approval of the project. I have also been assured by officials of Minnesota that food stamp recipients participating in the family investment plan will not be placed in a position of receiving less ben-

efits than they would otherwise. Given these assurances, I believe we should be able to work with Minnesota to develop legislation that would give them the authorization they need to proceed with the project.

I look forward to helping Minnesota develop the plan that will, perhaps, teach us methods of improving our welfare system to make it more responsive to the needs of recipients in a cost efficient manner. The Minnesota proposal is bold and innovative, and I am hopeful that we can see its successful implementation.

I welcome our distinguished witnesses today, and thank them for taking time to be with us.

Before we hear from the first witness, I would recognize Mr. Emerson, the ranking minority member, for any comments he wishes to make.

OPENING STATEMENT OF HON. BILL EMERSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSOURI

Mr. EMERSON. Thank you, Mr. Chairman.

The purpose of our hearing today is to hear testimony concerning the proposal of the State of Minnesota to simplify and coordinate assistance programs for needy families. Our interest rests primarily with the Food Stamp Program, which is under the jurisdiction of this subcommittee. The Minnesota proposal proposes to consolidate the AFDC, food stamp and State-run general assistance programs into a single cash payment for families. The concept embodied in the Minnesota proposal is similar to what I refer to as the one-stop-shopping idea.

I believe that our public assistance programs are so complex and confusing that it is no wonder the participants and the administrators alike have difficulty in dealing with them. It makes sense that a family in need of assistance, whether it is food assistance, cash assistance or medical assistance, should be able to go to one source and apply for the needed benefits. In addition, that application procedure and eligibility determination should be consistent from program to program. That is not now the situation for public assistance programs across the United States. I am pleased that Minnesota is embarking on this project, and I wish Minnesota success in its endeavors.

One issue that I believe has to be discussed in relation to any welfare reform proposal concerns the issuance of cash instead of food coupons in the Food Stamp Program. I am aware that the USDA has approved several State proposals which cash out the Food Stamp Program. Additionally, the State of Washington received authorization from Congress to test their welfare reform proposal which incorporated cashing out food stamp benefits.

I think that we must consider this move carefully, and I would like to hear from each of our witnesses on the subject of cash in lieu of food stamp benefits in addition to the other comments they may have to make.

Thank you, Mr. Chairman.

Mr. HATCHER. Thank you.

Our first witness is Congressman Tim Penny, who is on the Agriculture Committee and represents a district in Minnesota.

We welcome you.

STATEMENT OF HON. TIMOTHY J. PENNY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA

Mr. PENNY. Thank you, Mr. Chairman. I want to express my gratitude to both you and the ranking minority member, Mr. Emerson, for your willingness to expeditiously hold a hearing on the Minnesota Family Investment Plan and for your supportive comments. The candor and cooperation of your staff has been a tremendous help in moving forward on this proposal and I wish to commend them as well.

Minnesota has a long history of innovative leadership with regard to improving the economic and social well-being of its people. Accordingly, a Minnesota Commission on Welfare Reform was formed in 1986 to analyze the effectiveness of the current welfare system in Minnesota. The commission's report is the basis for the welfare reform initiative, called the Minnesota Family Investment Plan, which our State is now pursuing. Minnesota considers the Family Support Act of 1988 as a significant initial step toward true welfare reform and sees the MFIP as an enhancement to that reform.

MFIP seeks to go beyond the reforms already enacted by Congress with a simplified welfare system that would consolidate AFDC and food stamps into one cash grant for families. In order to do that, the State is seeking authority for a demonstration project similar to that granted the State of Washington in Public Law 100-485. The demonstration would involve approximately 10 percent of the Minnesota welfare caseload, with 2,500 cases from a urban test site and 2,500 cases from a cluster of rural counties. The demonstration is guaranteed as revenue neutral to the Federal Government since the Minnesota Legislature has passed legislation recognizing that the State will pay all costs above what would normally be expected to be the Federal cost.

I believe that the Minnesota Department of Human Services has done a creditable job in developing the demonstration program and in anticipating problems and pitfalls that might be encountered. They have sought the advice of consumer advocacy groups and have been willing to adapt the proposal to those needs as well as to administrative and legislative concerns. Allowing Minnesota to move forward with this demonstration would be a constructive step in accomplishing the goals of family self-sufficiency and administrative simplicity that could be the keystone of future assistance programs. It would also provide further evidence of Federal-State cooperation in improving services to all citizens. Based on the information you will receive today, I think you will be satisfied that this proposal is worthy of your support.

As you are aware, and as you mentioned earlier, Governor Rudy Perpich of Minnesota strongly supports this initiative and conveys his thanks to both of you for holding this hearing.

Testifying on behalf of the State of Minnesota today is John Petraborg, assistant commissioner of human services. He has played a central role in the development of MFIP and is responsible for administration of food stamps and AFDC at the State level. The De-

partment of Human Services is temporarily without a commissioner, but both outgoing Commissioner Sandra Gardebring and incoming Commissioner Ann Wynia wholeheartedly endorse the Minnesota proposal.

Again thank you for your interest in this measure and for your quick action in scheduling this hearing. I look forward to working with you as the subcommittee and the full committee take action on this measure.

Mr. HATCHER. Thank you, Mr. Penny.

Any questions?

Mr. EMERSON. I have no questions.

Mr. HATCHER. Thank you.

Mr. EMERSON. Thank you for your statement, Tim.

Mr. HATCHER. Our next witness is Mr. G. Scott Dunn, Acting Administrator, Food and Nutrition Service, U.S. Department of Agriculture, here in Washington.

We welcome you, Mr. Dunn.

STATEMENT OF G. SCOTT DUNN, ACTING ADMINISTRATOR, FOOD AND NUTRITION SERVICE, U.S. DEPARTMENT OF AGRICULTURE

Mr. DUNN. Thank you, Mr. Chairman.

Mr. Chairman and Mr. Emerson, it is a pleasure to be here this afternoon to discuss the Department's views on Minnesota's welfare reform demonstration, MFIP.

Under the plan, as it is currently drafted, Minnesota seeks to combine AFDC, food stamps, and the State's general assistance program into an expanded cash assistance program providing a single check to certain families with children. The new program would have standardized eligibility rules and benefit levels.

Under MFIP, households with children would receive all benefits in the form of cash, but could elect to receive a designated portion of their total assistance in the form of food coupons or vendor payments. All MFIP households, including those receiving only food stamps, would be made automatically eligible for medicaid and all education, training, support and transition services authorized for current AFDC recipients, including those authorized by the Family Support Act of 1988.

To promote innovative State low-income assistance demonstrations like MFIP, President Bush reestablished the Low Income Opportunity Board, an interagency sub-Cabinet-level group created by President Reagan in 1987. Since 1987 the Board has reviewed demonstration proposals from a dozen States and recommended that the agencies with authority to grant the waivers requested do so. Other proposals are under consideration now.

Although the State of Minnesota has requested special legislative authority for MFIP, rather than submitting their proposal to the Board, we believe the general principles that the Board has adopted as conditions for recommending approval of State demonstrations are generally valid and should shape MFIP, as they did Washington State's Family Independence Program and New York's Child Assistance Program.

That is, those demonstrations should have a chance of reducing welfare dependency while meeting the needs of the recipient popu-

lation. The Board provides wide flexibility to States to design their own paths to those goals.

And the demonstration must have a sound evaluation component. A demonstration to increase self-sufficiency is valuable only if we know what difference it made.

And the demonstration must be cost neutral to the Federal Government each year. Given the importance of spending agreements in the current budget process, we believe Federal cost neutrality is a necessary condition of providing States with wide flexibility to test alternative programs of their own design.

In that vein, and taking a look at some of the issues that we have seen in the plan, we are concerned about some of the potential cost increases of the expanded program of assistance proposed by Minnesota. The current proposal would expand eligibility for assistance to some and increase benefits to most, and create new entitlements. However, given the language that we have seen here this afternoon about the assurance of Federal cost neutrality, those kinds of issues, provided they do provide for cost neutrality to the Federal Government, is something that we would be willing to take a look at.

Over the past 2 years that USDA has been a participant on the Low Income Opportunity Board, we have had the opportunity to develop a comprehensive research plan for evaluating the effects of cashing out food stamp benefits under a variety of conditions. These include projects like MFIP in which food stamp cash-out is combined with other assistance programs.

We are reviewing the cash-out proposals submitted to us with the utmost care. In addition to meeting all of the statutory requirements in the Food Stamp Act, any proposal to test cash-out must provide for an evaluation of its effect on participation rates, household expenditures, food consumption, individual dietary intake, administrative costs, and recipients, program administrators and the public's opinion.

Our current research plans include projects like MFIP in which food stamp cash-out is combined with other assistance programs and primarily targeted to female headed households with dependent children. Demonstrations currently under way or planned in Washington State, San Diego County, California, and Alabama represent a variety of administrative arrangements, participant populations, and benefit levels. There are rigorous evaluation plans in place to assess the effects of cash-out on participants, welfare agencies, and food retailers. We would be happy to consider Minnesota's proposal as well under the Low-Income Opportunity Board's guidelines.

I would also like to just comment on another area that we currently have under way in Minnesota concerning the Electronic Benefit Transfer—or EBT demonstration project. Currently as it is designed, MFIP would be tested initially in two sites, one of which could include households in Ramsey County. Because Ramsey County has already been approved as a food stamp demonstration project testing electronic benefit transfer technology, this county's participation in MFIP will make meaningful evaluation of either demonstration, MFIP or EBT, more difficult. Should Minnesota

proceed with MFIP, Ramsey County and the evaluation control site, St. Louis City, should be excluded, in our view.

We do have other issues that we would be happy to address with the committee or committee staff in a setting that could go into some of those issues.

That concludes my prepared testimony, and I would be happy to answer any questions that the committee may have.

Thank you.

Mr. HATCHER. Thank you.

[The prepared statement of Mr. Dunn appears at the conclusion of the hearing.]

Mr. HATCHER. EBT is "electronic benefits transfer."

Mr. DUNN. Yes, sir.

Mr. HATCHER. I have talked to you before about what that is and how it works. There would be no way to allow Minnesota to do what they are trying to do and have EBT at the same time; is that correct?

Mr. DUNN. We would prefer, in order to be able to accurately assess the impacts of both demonstrations, MFIP and EBT, to have Ramsey County not included as part of the MFIP demonstration areas. The problem comes in when we try to conduct the evaluation and assess the impacts of those different programs, both the MFIP and EBT. What we're testing is the difference of those two demonstrations from the current Food Stamp Program. To the extent that we would have MFIP operating in the same area as EBT, a whole host of new variables and other issues and factors would be entered into the evaluations that would complicate our ability to assess the impacts of both of those demonstrations vis-a-vis the Food Stamp Program.

Mr. HATCHER. Have you talked with officials from Minnesota as to whether exclusion of that county would be any problem with that project?

Mr. DUNN. We have discussed that particular issue with the representatives from Minnesota, and we look forward to continuing those kinds of discussions to work toward a mutually agreeable approach.

Mr. HATCHER. Minnesota officials have suggested that the State may need to return to the legislature for additional authority before beginning implementation of the family investment plan. I have some concern about authorizing by Federal legislation a State project that may be modified by a State legislature at a later date.

Did you have something similar to that occur in Washington State, in that pilot?

Mr. DUNN. Yes, sir, we did. We had a situation where similarly there was Federal legislation that was passed. Subsequent to that time the legislature in Washington State made a few modifications to the original proposal. That necessitated some further legislative action by the Congress later on in order to address some of those particular issues.

Mr. HATCHER. Well, thank you very much.

Mr. Emerson.

Mr. EMERSON. Thank you, Mr. Chairman.

For the most part, the witness has anticipated my questions and answered them. I would like to concur, Mr. Chairman, in the state-

ment that you have just made about your concern for authorizing in Federal legislation things that ought to be dealt with by the legislature. I hope that prior to our moving this bill that those issues can be addressed and resolved by our own staff working with the Department and the Minnesota officials. I share very much in that concern.

I would like to ask the witness, is your concern about keeping the EBT issue separate and apart strictly one to assist you in keeping the data straight and not muddying the water?

Mr. DUNN. Yes, sir. That is one of the primary issues that we do have concerns about if we were to include Ramsey County. Similar to welfare reform legislation and proposals, EBT is also an area that we believe holds some great promise as well. In taking a look at that, application of that technology to other areas, we do know that there are other States that are interested in that approach. To that extent, it is very important that we be sure that we have sound research results and solid evaluations that we could then apply, if we were to do so, to other States to be able to tell us such issues as cost of EBT systems and so forth related to the Food Stamp Program, and other issues that are involved in the EBT research. And to the extent that there is another set of factors involved in that, it does complicate very much.

Mr. EMERSON. Well, I think your objective there is very worthwhile and I encourage you to work with the Minnesota officials to resolve this particular problem. One of the problems we face continually is the complexity of programs and we are always looking for means to simplify them. In having pilot projects, as it were, to help us identify areas that may be simplified, we should be careful in what we are authorizing so that projects are not complicated. Your objective is worthwhile and I hope that you will work with the Minnesota people and our own staff to try to get that ironed out.

Mr. DUNN. Yes, sir.

Mr. EMERSON. I also appreciate very much your stressing the need for Federal cost neutrality. I think this concept is a good idea. I also believe we should have some strong research components, and I think that they exist here. We must find newer and better ways to do things, so that we can get more of the resources that are available to the people who truly need them, and so that we don't consume so much energy and time and resources in paperwork.

Frankly, if I have one single impression after being the ranking minority member of this subcommittee for the last 7 years, it is that I don't know how the people who are in need of the benefits that we are trying to provide ever get around to getting the benefits. The system is so complex and the paperwork so voluminous. It is a very strong issue with me. I want to continue to move in every possible way to simplify and streamline the process. Any pilot project that is cost neutral and that may move us in that direction, I want to encourage.

Thank you.

Mr. HATCHER. Mr. Staggers.

Mr. STAGGERS. No questions, Mr. Chairman. Thank you.

Mr. HATCHER. Well, Mr. Dunn, again thank you very much for being here and for your testimony.

Mr. DUNN. Thank you, Mr. Chairman.

Mr. HATCHER. Our next witness is Mr. John Petraborg, assistant commissioner, family support programs, department of human resources, State of Minnesota, St. Paul.

Welcome to you, sir, and you may proceed by reading your statement, by paraphrasing it or however you are most comfortable. We appreciate you being here.

STATEMENT OF JOHN PETRABORG, ASSISTANT COMMISSIONER, FAMILY SUPPORT PROGRAMS, DEPARTMENT OF HUMAN SERVICES, STATE OF MINNESOTA

Mr. PETRABORG. Mr. Chairman, thank you.

Mr. Chairman and members of the committee, my name is John Petraborg, and I am assistant commissioner for the department of human services in Minnesota.

I am here today seeking the approval of your committee and of Congress to allow Minnesota to undertake a 5-year pilot project of the Minnesota Family Investment Plan. Specifically, we seek a waiver that will allow our State to consolidate AFDC, general assistance, and food stamps into one cash grant as part of a new, unified program for families on welfare in Minnesota.

I want to state at the beginning that Washington State and other demonstration projects have taught us valuable lessons that are incorporated into our plan. We have had extensive discussions with welfare advocate organizations in Minnesota and Washington. We appreciate the refinements they have offered to our proposal, and welcome the continued involvement of advocates and other interested groups. The documents before you include a comparison of Minnesota's plan with the Washington State program. You will also find a summary of our contacts with various groups that have contributed to the development of this program.

Before I go into the details of the pilot project, I would like to give you a little history of the plan's evolution.

As you know, over the last several years a growing dissatisfaction with the welfare system in this country has been on the national agenda. Increasingly we have heard calls for more significant welfare reform.

The truth about the welfare system, at least in Minnesota, is that it works reasonably well. Most of the families who receive AFDC, about 56 percent of them, leave the program within 24 months. For them, the current program works just as intended, as a temporary measure during a time of crisis. But about 7 percent of the AFDC families, those who remain on the rolls for 7 years or more, account for about 40 percent of the program's cost. Herein lies the problem.

Long-term dependency extracts a toll on society that goes beyond dollars and cents. Long-term dependency erodes self-esteem as well as quality of life. It limits opportunities for personal growth and robs society of full participation of all its members.

Over the last 15 years, most American families have experienced an increase in income, largely by sending a second wage-earner

into the workforce. But for the very poorest families in America, they have enjoyed no increase; in fact, these poorest families have experienced a continual decrease in income. Between 1972 and 1987, Minnesota families saw their AFDC and food stamp benefits decline by 24 percent due to the effects of inflation. And more than income has declined for these poorest families. The opportunity to work has disappeared. When Congress, in 1981, virtually eliminated the work incentive for AFDC, the number of long-term AFDC users who work began to fall. Forty-four percent of the long-term users were working at the beginning of this decade and now it is 14 percent.

This trend has deeply troubled Minnesotans who fear that current policies are creating a permanent underclass in our State and in the Nation. That concern has grown into a commitment to reverse the incentives welfare recipients now have to remain unemployed.

In 1986, a bipartisan welfare reform commission recommended changes to Governor Rudy Perpich and the Minnesota Legislature. Some of those changes were implemented in that time, others required Federal waivers.

In 1987, the Minnesota Legislature implemented those aspects that could be done without the benefit of Federal waiver and that was our welfare reform program called PATHS. This program in many ways anticipated the steps taken in the Family Support Act of 1988 and the creation of the JOBS Program.

The focus of these programs is on people, mostly single mothers, who are or are at risk of becoming long-term welfare recipients. In Minnesota, we have recognized the need to help these families achieve this goal by providing case management services, employment and training, child care, and access to health care. These services help address barriers that would otherwise prevent families from becoming independent.

The people of Minnesota are hopeful about this important first step, but we recognize that the journey is a long one. While most recent reforms have introduced the goal of transition to self-sufficiency and have provided some service to assist in achieving that goal, they continue to operate within the current fragmented and cumbersome system. Therefore, what we seek in Minnesota and what I am asking this committee to consider, is a fundamental change.

That change would recognize a broader agenda. We need to eliminate what might be called the welfare sprawl—too many programs, too many rules, too many procedures—and design a system so that its energy and resources are dedicated to meeting the goals of that system.

We must recognize that some families who are willing and able to work may not be capable of complete self-sufficiency, especially in an increasingly high-tech labor market. Those who are capable of some self-sufficiency deserve our support. Those who can support themselves, even partially, should not continue to be discouraged from doing so, as the current system does.

Currently, many such families, if they try to support themselves, barely survive as members of the chronically working poor, struggling daily from crisis to crisis. Others remain on AFDC because

they can't afford to lose health care benefits and the monthly check that is their only security. For them, working is a threat to these benefits critical to their daily lives. We must broaden their choices and allow them to improve their lives, even if that means through part-time or low-paid employment.

The Minnesota Family Investment Plan, I believe, is the next step for welfare reform. As its name implies, it is an investment in families guided by four central goals: Simplification of the complex welfare structure, prevention, permitting families to increase their living standards through their own efforts by going to work, and supporting families in their transition to family independence.

In addition to the text of my presentation today, I would like to enter into the record a copy of the bill enacted by the Minnesota Legislature and a more detailed summary with questions and answers that you might find helpful.

As these attachments all demonstrate, the family investment plan would become the only program for income maintenance for families. The plan would consolidate AFDC, general assistance for families, and food stamps into one unified program with one set of simplified rules and one cash grant for families. Eligibility would be based on income and resources. Procedures used to determine eligibility and the amount of payment would be simplified.

Importantly, the Minnesota plan would reward work. Working would always be more profitable than not working. The plan would create a two-tiered payment standard so that working families could retain more of the money they work to earn.

Under the Minnesota plan all families would be expected to be working toward self-sufficiency, although families would be provided time to independently pursue this self-sufficiency. Families after a certain period of time would be expected to enter into a contract to prepare for and enter the job market.

The Minnesota plan would reduce welfare dependency by improving paternity establishment and child support collections, by intervening early with minor parents, and by emphasizing education and training. In addition, all families eligible for the plan would receive medical assistance and increased funding for child care.

As you can see, the Minnesota plan is a comprehensive welfare reform program designed to create a unified, simplified, and dignified welfare system. It is not simply a test of whether cash benefits work better than coupons. In fact, families would have the option to receive a portion of their assistance in the form of food coupons.

As I mentioned earlier, I am here today seeking your approval of a waiver that would allow Minnesota to conduct a 5-year pilot project. Specifically, the waiver would redirect about 10 percent of our State's recipients, fewer than 6,000 families from both an urban setting and a rural setting, away from the core welfare programs. Instead, these families would qualify for the Minnesota plan, which would provide benefits in a consolidated program operating under a single standard.

The waiver would allow us to: Simplify eligibility procedures; establish transitional and family wage benefit levels; include automatic eligibility for medicaid and child care; replace earning disregard reductions with a single disregard of not less than 35 percent;

develop self-sufficiency contracts; and impose sanctions based on the terms of the State legislation.

What would these changes mean for Congress? The Minnesota plan is an opportunity for Congress to implement and study on a small scale the redesign of the welfare system with little or no risk to the Federal Government or to participating families.

Clearly, we will require additional funds to operate this program, and Minnesota is prepared to carry these costs. The waiver we seek guarantees fiscal neutrality for the Federal Government. The language contains an effective "hold harmless" mechanism for participating families.

What would these changes mean for the families that participate in the demonstration? Families now receiving only food stamps, most of whom are working, would receive an increase in cash assistance. All of these families would be entitled to medical assistance. Families now receiving AFDC plus food stamps would experience two benefits. First, some would see an increase in their assistance standard, but most importantly, many families would begin to work with a resulting increase in net income. And families in special situations such as migrant, seasonal farm workers, and homeless, would be guaranteed all special provisions made for such families in the Food Stamp Act.

But more important for the participating families, the welfare system would no longer be a hole with no visible means of escape. Instead it will appear as a staircase that families can follow to climb out of poverty.

President Kennedy said, "There can be no progress if people have no faith in tomorrow." The Minnesota Family Investment Plan is designed to provide people with that faith in tomorrow as well as faith in their community and in themselves. With your approval, Minnesota is committed to testing this promising program, to bear the additional costs, and if results justify, hopefully, to expand to all Minnesotans in need.

We are pleased that the Ways and Means Committee has approved our plan as a part of its reconciliation package. We have commitments from Energy and Commerce to include the medicaid portions of our plan in their markup, and we look forward to working with you to proceed on whatever track is most helpful to include this in the Agriculture Committee.

Thank you, Mr. Chairman and committee members. I would be happy to answer any questions that you might have.

[The prepared statement of Mr. Petraborg appears at the conclusion of the hearing.]

Mr. HATCHER. Thank you, Mr. Petraborg.

I like the idea you enunciate of having the recipient contract to take steps into the the job market. I think that is certainly an admirable goal.

I also understood earlier that your position was that Minnesota will guarantee that no category of recipient will receive less in benefits under the Minnesota Family Investment Plan than they would under the Food Stamp Program; is that true?

Mr. PETRABORG. That is true.

Mr. HATCHER. Is that true even if they enter into a contract to take certain steps and subsequently they don't take those steps?

Mr. PETRABORG. Mr. Chairman, the sanction provisions in our plan provide for a 10-percent sanction if someone does not comply with the terms of their contract. In that case, they would effectively receive—continue to receive at least as many benefits as under the current Food Stamp Program.

Mr. HATCHER. Less the 10 percent?

Mr. PETRABORG. The sanction would be equal to 10 percent. Currently in the Food Stamp Program the sanctions actually would involve a bigger reduction in benefits.

Mr. HATCHER. OK. I am concerned that your plan may not be well enough defined yet for us to enact Federal legislation. Can you explain why you might need to return to the legislature in Minnesota for additional State authority even after we act, which I suppose is what you are asking us, is it not, to go ahead and act and then allow you to make changes?

Mr. PETRABORG. Mr. Chairman, what we are proposing really is to recognize the fact that over the period of time of the demonstration and with as sweeping a proposal as we make to you today that there will be additional details that need to be considered or recognized. The plan is fully developed in terms of its policy and objectives. One of the things, however, that we have learned from talking to other States, and Washington State in particular, was the need to go back and make certain technical adjustments down the road, and our proposal was to at least allow for those technical adjustments into the future. At least to recognize the need for them.

We understand that that is a concern to you, and to Mr. Emerson and other members of the committee, and we would be glad to work with you to resolve that concern.

Mr. HATCHER. Thank you. I have one other question. You were in here when Mr. Dunn testified, were you not?

Mr. PETRABORG. Yes.

Mr. HATCHER. And you heard the concern raised by him about the one particular county—which county?

Mr. PETRABORG. Ramsey County.

Mr. HATCHER. Being involved in EBT, which is an experimental project, as well as your experimental project. What is your reaction to that?

Mr. PETRABORG. Mr. Chairman, we would be glad to remove Ramsey County from consideration as a pilot county.

Mr. HATCHER. That wouldn't be any problem with you. Thank you.

Mr. Emerson.

Mr. EMERSON. Thank you, Mr. Chairman.

I think this is a very worthwhile project, and I want to commend you for formulating it and for your testimony here today. I wish you could go further. I hope that after you have had this trial project and, hopefully, some positive demonstrative goals are attained; maybe we can add to it. This idea fits in so well with the idea that I have been promoting and talking about for the past couple of years that I referred to in my opening statement as one-stop shopping. It just confounds me that with 96 different welfare programs that have some Federal involvement in them, every one of them has a different benefit level, a different set of criterion that a beneficiary must meet in order to qualify. I think this is a

good step forward and I am glad to see this project. I hope that some of those impediments that were raised in the dialog that the chairman and I had with Mr. Dunn can be resolved so this can be a good clean project and that we can learn a lot from it.

One of the problems that we face here in the Congress and in the Federal Government at large is an ongoing turf battle. I think some real progress can begin in welfare reform as a result of the law that we passed last year. My reservation about that law was that it did not go far enough. We do need more projects of the sort that you are undertaking in order, really, to set a pattern which perhaps could be followed nationwide. So the more data and the more evidence that we get that different things can work are welcome. This is particularly important in overcoming that turf problem that I mentioned.

Certainly the Agriculture Committee, the Education and Labor Committee, and the Ways and Means Committee all have their turf conflicts. The Department of Health and Human Services, the Department of Labor, and the Department of Agriculture don't like to yield one thing to another, if something hasn't been proven that it will work that will diminish from their turf. The more positive things we have showing that they can work, the better armed we are when we try to resolve these turf disputes here in the Congress and in the Federal bureaucracy.

I, for one, will be following your progress very closely. It is a subject of a deep interest to me and I wish you well in it.

Mr. PETRABORG. Thank you.

Mr. HATCHER. Mr. Staggers.

Mr. STAGGERS. Thank you, Mr. Chairman.

What percentage of the AFDC-eligible people receive benefits in Minnesota?

Mr. PETRABORG. Mr. Staggers, about 85 percent.

Mr. STAGGERS. Eighty-five?

Mr. PETRABORG. Of the AFDC recipients also receive food stamps?

Mr. STAGGERS. No. No.

Mr. PETRABORG. I am sorry.

Mr. STAGGERS. Of the people who are eligible for AFDC, what is the percentage that actually receive benefits in Minnesota? Nationwide it is very low; I think it is about 30 or 40 percent. I was wondering whether Minnesota was an exception to that figure or not.

Mr. PETRABORG. We don't have any State-specific information on that.

Mr. STAGGERS. Would your plan, do you think, encourage people who are eligible to maybe receive benefits? Would you envision your plan to encourage the people who are eligible to actually receive benefits?

Mr. PETRABORG. Mr. Staggers, the effect of the consolidation of the programs could reduce, help reduce barriers to participation for either of the programs, certainly. The eligibility standards or criteria are essentially the same, however, as the combination of AFDC plus food stamps. So we don't expect from that change to dramatically increase the numbers of people who would be eligible, but the numbers of people participating could increase.

Mr. STAGGERS. I am not sure why people who are eligible don't participate, and so you are right, maybe this would help.

Could you explain two things for me, and I apologize for not being as up on this as I should be. Your summary, and I think the chairman touched on this a little bit, about what is MFIP, the expectations, the second sentence mentions that families not involved in individually specified activities after system intervention will have their grants reduced by 10 percent.

I would like you to explain a little bit what protections would be in that area with the 10-percent protection. And also, what protections when you cash-out would be from pressures from other needs? For instance, from a Federal level, we have no control over medical costs it seems like. There is no control from a Federal level with rent control. These pressures for individuals, I mean if you cash-out that old dilemma about heat or eat or some of the other things that individuals find themselves faced with, what protections under your plan, in both of those areas, in the reduction of benefits, the 10 percent, and with the cash-out provisions?

Mr. PETRABORG. In terms of the sanctions, first of all, let me say that our whole focus will be on encouraging participation in the contracting process rather than invoking sanctions. But if someone does not comply with the terms of their contract, they could be subject to a 10-percent reduction in their benefits. For a family of three, that would amount to approximately $68 a month. Under the current food stamp rules, if the head of household fails to cooperate, they could be sanctioned $228 a month. So relatively speaking, we are reducing the impact on needy families.

And the second issue, in terms of cash-out, this is a very difficult issue. And, as I said, we don't see this primarily as a cash-out program, rather a welfare reform simplification demonstration that includes that feature. In discussing this problem with interested folks we came to sort of a compromise that would allow families to continue to receive food coupons, if they felt for budgeting purposes or to protect themselves with the landlord or whatever they would need to do that, we would not calculate a food stamp benefit per se, but instead give them a percentage of their assistance standard in food stamps so we don't harm our simplification.

Mr. STAGGERS. Let me interrupt you. Would there be any education along with that option?

Mr. PETRABORG. Our goal would be to include—right.

Mr. STAGGERS. For some people, given the option without explaining to them what that option is would be meaningless.

Mr. PETRABORG. Right. We will make that clear to people, that that is available.

The second answer I think is that under our proposal, particularly for food stamp only families who are working, they will see a significant increase in their net available family income under this proposal. And so in any choice there would actually be more money available to the family.

Mr. STAGGERS. Thank you, Mr. Chairman.

Mr. HATCHER. Mr. Petraborg, without objection, the exhibits that you mentioned will be made a part of the record of the hearing.

In the testimony of Mr. Dunn, he had in his written testimony at least a statement that MFIP provides benefits only to parents and

children. There are now many food stamp households which contain other members. If these members become separate food stamp households, the overall program cost will increase.

Of course, if that is true, then your State is prepared to pay that. But how would that work? Will that change the way some existing food stamp households are defined or how they are constituted?

Mr. PETRABORG. Mr. Chairman, in the case of mixed households we would work to set up a procedure so that the family income is at least as generous as it would be under existing food stamp rules. We believe that this is an area that need some further development, but we make the commitment to hold the family at least harmless and to provide any additional program cost through State funds.

Mr. HATCHER. Well, thank you very much, and we appreciate you being here today.

Our next and final witness is Mr. Robert J. Fersh, executive director, Food Research and Action Center, here in Washington.

We welcome you, Mr. Fersh, and look forward to your testimony.

Mr. FERSH. Thank you, Mr. Chairman.

Mr. HATCHER. You have testified before I am sure, so you know that you can paraphrase or however you would like to proceed.

STATEMENT OF ROBERT J. FERSH, EXECUTIVE DIRECTOR, FOOD RESEARCH AND ACTION CENTER, ACCOMPANIED BY DAVID A. SUPER, STAFF ATTORNEY AND POLICY ANALYST

Mr. FERSH. Mr. Chairman, I would be delighted to summarize my statement. I would hope that the entire statement would be included in the record.

With me is David Super, a member of our staff, who is the most intimately familiar with the MFIP program.

First of all, I would like to thank you and members of the subcommittee for the thorough review you are giving to this proposal. Although in many ways it is a modest pilot project, I think it has major implications, could have major implications nationwide, and I think it requires the kind of care you are giving now, with this type of hearing to take a full look at the issues. Because, again, it may impact more than just a few areas of Minnesota. It may impact all of Minnesota. It may have an impact for the country as a whole.

Any major change in the welfare system involves risk, and we think it is terribly important to minimize the risk to low-income people. The stakes for them are higher than for anyone else. And, in the context of continuing reports, Mr. Chairman, of increasing hunger in America—in fact, there is a new report out this week from the Urban Institute, a fairly scholarly look at reports across the country that continue to document that more and more people are relying upon emergency food assistance to get by—we think that your watchword should be caution in terms of approving new plans, and that new plans that are approved should ensure that there is no dimunition in the levels of benefits provided to needy Americans.

Let me say at the outset—and I am now skipping to page 3 of my testimony—we cannot at this time give the committee a recommen-

dation as to whether or not it should move forward with authorizing this particular demonstration. We have had extensive and very positive conversations with representatives of the Minnesota state department, but we have not as of this morning seen the final draft of the legislation. We believe it is well intentioned. We think that many important safeguards appear to be guaranteed in the program. But, as you can understand, until we, and I assume you, see final language we really cannot reach a final judgment on where we stand on this issue.

Now let me just try to summarize what our central concerns would be for this. I hope we will suggest some guidelines that would be applicable for other proposals that might come before the subcommittee.

Our first concern, on which I think we echo some of the sentiments that Mr. Emerson mentioned earlier, is that we are very much concerned about cashing out the Food Stamp Program. The deliverance of benefits through coupons has been crucial to the program's political support and to its effectiveness in combating hunger. For us the issue largely gets down to one of protecting low-income people, and probably the most central issue here is that of rents and what happens to people's income when it is paid in cash.

We know in several States that landlords tend to peg the rents they charge to whatever the AFDC grant can cover. For instance, in the State of Alabama now there is a proposed cash-out that we think is inappropriate and we think is dangerous for low-income people. Because to the extent their food stamps are cashed out, we fear that landlords will raise rents and people will have less money left over for food.

And so we do have a generic concern then about a cash-out which we think is very real and very legitimate for low-income people across the country. But, if there is to be a cash-out in any State, we think it is more likely to be successful, more likely to be appropriate in States with relatively high AFDC benefit levels and in States where there seems to be at least an adequate supply of housing at a low enough cost that people's food budgets would not be jeopardized by some increase in rents that might occur.

And I would underscore that we think today that housing costs may well be driving the reports of increasing hunger. The latest data indicate that 45 percent of all poor renters pay 70 percent or more of their incomes on housing and shelter costs. So it is a terribly important concern that we do nothing that would result in even higher percentages of their incomes going to shelter costs, leaving less money for food.

I guess the bottom line for us in terms of Minnesota in terms of cash-out is that the atmosphere for a cash-out is probably better than most States in that to the best of our understanding their AFDC levels are relatively high and the shelter costs in the State seem to be within reason, and there seems to be a sufficient supply of housing that we don't see an immediate threat to raising rental costs in a way that would impair a family's ability to buy sufficient food.

The second major principle that we wanted to address and we think is appropriate, most appropriate for this subcommittee to be

aware of, is the issue of protection of current benefit standards. It is what we call hold harmless on page 5 of my testimony.

We are pleased that Minnesota's proposal addresses this issue in a manner that is responsible as well as innovative. The proposed authorizing language would provide a firm, across-the-board "hold harmless" for all households, guarantee that none would receive any fewer benefits than they would otherwise get under the Food Stamp Program. Minnesota is pursuing simplification by raising households up to a new level so that the regular benefit payments, without some of the current allowances and deductions, would be more generous than current law provides, and we would suggest that this should be a standard for the future. That in a sense, if we are going to experiment and we hope to get some of the benefits of simplification, that it shouldn't be done at the expense of the actual income to recipients. That they should be held harmless and then we should go ahead and try to simplify matters and accrue the administrative savings and other benefits of having a simplified program.

Our next category, on page 6, I talk about application processing and other procedural protections. Here we just want to be sure, both in this instance and in the future instances, that certain fundamental protections in the Food Stamp Program are maintained. The Food Stamp Program, for instance, provides expedited service to destitute households within 5 days, and, of course, a family could go very hungry within 5 days, but at a minimum the Federal law says that if you are really hungry and you are really in tough shape you shouldn't have to wait more than 5 days for your food stamps. Well, if you cash-out food stamps, some States might be tempted to move to an AFDC processing standard, which could mean that families wait up to 45 days to get any kind of assistance.

So I think it is terribly important that there continue to be some level of food assistance, whether it is paid in coupons or cash, available immediately for destitute households. It is terribly important to the soup kitchen and food bank operators that that remain in effect, because otherwise they could become deluged with demand from low-income people who can't otherwise get their public benefits.

Similarly, the notion of a 30-day processing standard in the Food Stamp Program. Even if you don't get expedited you ought to have a decision, up or down, within 30 days, whether you are eligible and get your food stamps within 30 days. We think that standard should be included.

And, in addition, we think particularly in this Minnesota proposal there are concerns about what happens if you should become income ineligible for MFIP, for the cash-out program, but remain eligible for food stamps, which is indeed possible under the current proposal. We want to be sure that there is an easy transition. So, for instance, if a household became ineligible for the cash-out program and was still eligible for food stamps, they weren't simply thrown off MFIP and said, "Good-bye. We'll see you some other time." That at that point in time there would be a preliminary determination of potential eligibility for food stamps. That the household would be told that they could apply. That there would be as much as possible a determination of whether in fact that household

had continuing eligibility for food stamps. And we have been given some verbal assurances that Minnesota is quite receptive to that. We are yet to see it in writing.

I should say in terms of that, this entire section, that Minnesota does seem to be putting in the protections that are necessary to assure that expedited service and processing of applications will occur on a timely basis.

In the area of—on page 9 of my testimony—"Status Under Other Programs," here our concern is this. Right now the Food Stamp Program does not count as income for purposes of other Federal assistance programs. The key ones that come to mind for us are housing assistance and child nutrition programs. As you may know, when one receives public housing, you are charged a certain percentage of your income for rent, and right now food stamps are not included in that income for rent. Of course, it is not available to be paying shelter costs. So we are concerned to the extent food stamps are cashed out in Minnesota it could lead to higher public housing costs, and we believe there needs to be a combination of Federal and State law that ensures that people who go into the MFIP program do not have to pay more money out of pocket for their subsidized housing.

Furthermore, depending upon the household's circumstances, counting MFIP income as cash income rather than as in-kind income and through food stamps could either knock them into a different category or eliminate their eligibility for programs like school lunch or the WIC Program. We understand that the Minnesota people are very much in favor of trying to protect households appropriately in this category, and we hope that you, Mr. Chairman, and other members of the subcommittee and the rest of the Congress will go along with those protections.

The next area that we are deeply concerned about, and it is an issue that is still somewhat in flux for us, is the area of work requirements. We have two central concerns with the Minnesota proposal and we are anxious to see more details. One is that we hope that they will continue to offer services to volunteers who are in the MFIP program. That is, there may be people who are enrolled in MFIP who are not required to work at certain times because of family circumstances or the age of the child, and we hope that they will not be excluded from services that the State might provide. We understand that financial limitations may be limiting how many such services these people can receive in Minnesota, but we think it is terribly important that if people take the initiative to come in the door, even if they are not required, that they receive services.

Perhaps more importantly is the concern about the expansion of populations who may be subject to a mandatory work requirement. Any kind of mandate for entire classes of people inherently involves the issue of enforcement and sanctions, and we just think one has to be terribly careful about developing sweeping requirements, particularly on mothers of very young children. It is not always best for the family and for the society at large that mothers of very young children be put to work. We think they should be encouraged. We think the services ought to be provided. Sometimes it is the very best thing to get people back to work as quickly as

possible, but we are concerned about the nature of a sweeping mandate that may be contemplated now in Minnesota.

The final concern I wanted to mention here coincides with some of your concerns, Mr. Chairman. We are concerned about what other kinds of additional conditions might be placed on eligibility of participants in this program, and we would urge the subcommittee and the Congress to adopt restrictions that would ensure that no conditions on eligibility beyond what is authorized now by the AFDC and food stamps statutes be allowed.

We don't think that Minnesota contemplates any such restrictions, but one never knows and it has not been defined. So, for instance, when a client works out a very individualized contract with a caseworker under their case management proposal, we want to be sure that some of the conditions on eligibility do not intrude on people's personal lives any more than food stamp law allows now or do not impose any other kinds of conditions that would not make people ineligible now, whether it is they don't like who you live with or what neighborhood you live in or any other kinds of requirements that might arise. We have not heard specific conversations from Minnesota that they intend to do this, but we think as a matter of principle and precedent that we ought to be very clear that additional conditions on eligibility should not be imposed.

Mr. Chairman, that concludes my testimony. Thank you very much for the opportunity to provide input on this important issue.

[The prepared statement of Mr. Fersh appears at the conclusion of the hearing.]

Mr. HATCHER. Thank you, Mr. Fersh.

Before I forget, let me state that, without objection, all the statements in full will be made a part of the record.

I would like to thank you for your testimony, and just ask you one question. Your testimony was fairly thorough and complete, I think. The Alabama proposal, tell me a little bit more about that.

Mr. FERSH. I am going to, if I can, defer to Mr. Super on that, who really is quite expert about it.

Mr. HATCHER. Yes, sir.

Mr. SUPER. Mr. Chairman, the proposal that is being discussed is one that is not being submitted to Congress but is rather being handled directly as a waiver proposal to the administration, and as I understand it, it would cash-out food stamp benefits in the State of Alabama as part of some sort of combined benefit calculation system involving AFDC and food stamps. I have not seen any final waiver proposals, but my understanding is that it is currently under conversation between the Alabama department and the administration.

Mr. HATCHER. Thank you, sir. I had not seen any proposal before the subcommittee is the reason I asked.

Give us just a second. Mr. Lewis may have some questions.

Do you have any questions of this witness?

Mr. LEWIS. I agree with what they are saying.

Mr. HATCHER. Good.

Well, I would like to thank all of you witnesses again for being here and for your testimony.

That concludes the hearing.

[Whereupon, at 2:30 p.m., the subcommittee was adjourned, to reconvene subject to the call of the Chair.]

[Material submitted for inclusion in the record follows:]

TESTIMONY OF

G. SCOTT DUNN, ACTING ADMINISTRATOR

FOOD AND NUTRITION SERVICE, USDA

BEFORE THE

HOUSE COMMITTEE ON AGRICULTURE

SUBCOMMITTEE ON DOMESTIC MARKETING,

CONSUMER RELATIONS, AND NUTRITION

JULY 11, 1989

Mr. Chairman and members of the Committee, I am Scott Dunn, Acting Administrator of the Food and Nutrition Service (FNS) for the U.S. Department of Agriculture (USDA). I would like to thank you for the opportunity to discuss the Department's views on Minnesota's welfare reform demonstration, known as the Minnesota Family Investment Plan (MFIP).

Under the Plan, as it is currently drafted, Minnesota seeks to combine AFDC, food stamps, and the State's general assistance program into an expanded cash assistance program providing a single check to certain families with children. The new program would have standardized eligibility rules and benefit levels.

Under MFIP, households with children would receive all benefits in the form of cash, but could elect to receive a designated portion of their total assistance in the form of food coupons or vendor payments. All MFIP households, including those receiving only food stamps, would be made automatically eligible for

Medicaid and all education, training, support and transition services authorized for current AFDC recipients, including those authorized by the Family Support Act of 1988.

Households participating in MFIP would be required to sign contracts that identify individual employment goals and interim steps. The schedule for transitional activities and services would vary by family.

To promote innovative state low-income assistance demonstrations like MFIP, President Bush reestablished the Low Income Opportunity Board, an interagency sub-cabinet level group created by President Reagan in 1987. Since 1987, the Board has reviewed demonstration proposals from a dozen states and recommended that the agencies with authority to grant the waivers requested do so. Other proposals are under consideration now.

Although the State of Minnesota has requested special legislative authority for MFIP, rather than submitting their proposal to the Board, we believe the general principles that the Board has adopted as conditions for recommending approval of State demonstrations are generally valid and should shape MFIP, as they did Washington State's Family Independence Program and New York's Child Assistance Program.

o The demonstration should have a chance of reducing welfare

dependency while meeting the needs of the recipient population. The Board provides wide flexibility to States to design their own paths to those goals.

- The demonstration must have a sound evaluation component. A demonstration to increase self-sufficiency is valuable only if we know what difference it made.

- The demonstration must be cost-neutral to the Federal government each year. Given the importance of spending agreements in the current budget process, we believe Federal cost-neutrality is a necessary condition of providing States with wide flexibility to test alternative programs of their own design. In fact, some of the State demonstrations reviewed by the Board have the potential to cost more than the programs they are replacing. MFIP is certainly in that category.

Consistent with these principles, the Low Income Opportunity Board has provided other States with considerable flexibility to test alternative welfare programs. We look forward to working with Minnesota along similar lines to permit them to demonstrate the Minnesota Family Investment Plan.

We are concerned about the potential costs of the expanded program of assistance proposed by Minnesota. The current

proposal would expand eligibility for assistance to some, increase benefits to most, and create new entitlements to medical and child care assistance. At this point, it is simply not clear whether the benefits of MFIP will outweigh these costs. We need more detailed information on the proposal to make an assessment. It is important, therefore, to hold the State to the same standard applied to every other State: the cost to the Federal government must not exceed what it would have paid in the absence of MFIP.

It is especially important to limit the Federal government's exposure to potentially substantial cost increases given the current language under consideration. For example:

- No family can receive less under MFIP than they would have received under AFDC and food stamps, but may earn and will receive more.

- There is no explicit assurance that the cost of food assistance provided to MFIP does not exceed the cost of providing food stamps in the absence of MFIP.

- MFIP food assistance benefits are based on a formula which assigns all households the maximum excess shelter cost deduction. This will raise benefits above current levels.

- o MFIP provides benefits only to parents and children. There are now many food stamp households which contain other members. If these members become separate food stamp households, overall program costs will increase.

Any State-initiated demonstration of welfare reform must ensure Federal fiscal neutrality explicitly and unambiguously.

Over the past two years that USDA has been a participant on the LIOB, we have had the opportunity to develop a comprehensive research plan for evaluating the effects of cashing-out food stamp benefits under a variety of conditions. These include projects like MFIP in which food stamp cash-out is combined with other assistance programs.

We are reviewing the cash-out proposals submitted to us with the utmost care. In addition to meeting all of the statutory requirements in the Food Stamp Act, any proposal to test cash-out must provide for an evaluation of its effect on participation rates, household expenditures, food consumption, individual dietary intake, administrative costs, and recipients', program administrators' and the public's opinion.

Our current research plans include projects like MFIP in which food stamp cash-out is combined with other assistance programs

and primarily targeted to female headed households with dependent children. Demonstrations currently underway or planned in Washington State, San Diego County and Alabama represent a variety of administrative arrangements, participant populations, and benefit levels. There are rigorous evaluation plans in place to assess the effects of cash-out on participants, State welfare agencies, and food retailers. We would be happy to consider Minnesota's proposal as well, under the LIOB's guidelines.

Ramsey County Electronic Benefit Transfer Demonstration

As designed, MFIP would be tested initially in two sites, one of which could include households in Ramsey County. Because Ramsey County has already been approved as a food stamp demonstration project testing electronic benefit transfer (EBT), this County's participation in MFIP will make meaningful evaluation of either demonstration--MFIP or EBT--impossible. Should Minnesota proceed with MFIP, Ramsey County and the evaluation control site, St. Louis City, should be excluded.

Mr. Chairman, this concludes my prepared testimony. I would be happy to answer any questions that you or Members of the Committee have at this time.

STATE OF MINNESOTA
OFFICE OF THE GOVERNOR
ST. PAUL 55155

RUDY PERPICH
GOVERNOR

July 11, 1989

Congressman Charles Hatcher
Chairman
Subcommittee on Domestic Marketing,
Consumer Relations and Nutrition
Committee on Agriculture
Washington, D.C. 20515

Dear Mr. Chairman:

I am very pleased that today the State of Minnesota will be presenting the Minnesota Family Investment Plan for the consideration of the Subcommittee.

Welfare reform has been a top priority in Minnesota over the past several years. We are pleased with the significant steps which the Congress has taken with the passage of the Family Support Act. We look forward to good experiences with the Act as well as the Food Stamp Employment and Training program.

At the same time, we are mindful that the process of reform is not over. It is clear that further, more comprehensive, reforms need to be considered. Such reforms are a complicated undertaking, requiring careful development and long term testing. If such reforms are to be options available to policy makers who will be shaping the welfare systems of the 21st century, we need to be developing these ideas now and putting them to the test.

Minnesota presents the Family Investment Plan as a program that has been shaped by research, inspired by input from a broad range of state and national community leaders committed to creating a workable system and strongly endorsed in a bipartisan manner by the State Legislature. We hope that you will also give it a favorable review.

Enclosed are materials which describe the proposed program. Thank you for your consideration and I look forward to working with you and the Subcommittee on this and other issues in the 101st Congress.

Sincerely,

Rudy Perpich

RUDY PERPICH
Governor

cc: Subcommittee Members

AN EQUAL OPPORTUNITY EMPLOYER

U.S. House of Representatives
Committee on Agriculture
Subcommittee on Domestic Marketing,
Consumer Relations, and Nutrition
Room 1301, Longworth House Office Building
Washington, DC 20515

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U.S. House of Representatives

Committee on Agriculture

Subcommittee on Domestic Marketing,

Consumer Relations, and Nutrition

Room 1301, Longworth House Office Building

Washington, DC 20515

Prepared Remarks

John Petraborg, Assistant Commissioner

Minnesota Department of Human Services

July 11, 1989

Mr. Chairman, members of the Committee, my name is John Petraborg, and I am the assistant commissioner for family support programs at the Minnesota Department of Human Services.

I am here today seeking the approval of your committee and of Congress to allow Minnesota to undertake a five year pilot project of the Minnesota Family Investment Plan. Specifically, Minnesota seeks a waiver that will allow our state to consolidate AFDC, General Assistance, and food stamps into one cash grant as part of a new, unified program for families on welfare.

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I want to state at the onset that Washington State and other demonstration projects have taught us valuable lessons that are incorporated in our plan. And we have had extensive discussions with welfare advocate organizations in Minnesota and here in Washington. We appreciate the refinements they have offered to our proposal, and we welcome the continued involvement of advocates and other interested groups. The documents before you include a comparison of Minnesota's plan with Washington's program. You will find also attached a record of the long and careful process that has led to the development of this program.

But before I go into the details of Minnesota's pilot project, I would like to give a little history of the plan's evolution.

As you know, during the last eight or nine years there has been a growing dissatisfaction with this nation's welfare system. Increasingly we hear calls for more significant welfare reform. While some critics contend that welfare by its nature and complexity creates dependence on government, others complain that the system fails recipients by not requiring them to work.

The truth about the current welfare system, in Minnesota at least, is that it works fairly well.

Most families who receive AFDC--about 56 percent--leave the program within 24 months. For them, the current system works just as intended--as a temporary measure during a time of crisis. But about seven percent of AFDC families--those who remain on the rolls for seven years or more--account for about 40 percent of the program's costs.

Herein lies the problem. Long term dependency extracts a toll on society that goes beyond dollars and cents. Long-term dependency erodes self-esteem as well as quality of life; it limits opportunities for personal growth and robs society of the full participation of all its members.

Over the last 15 years, most American families have experienced an increase in income--largely because of the rise in dual income families. But the very poorest families in America have enjoyed no such increase. Instead, these poorest families have experienced a continual decrease in income. Between 1972 and 1987, in Minnesota their AFDC and Food Stamp benefits declined by 24 percent. And more than income has declined for those poorest of families. The opportunity to work has disappeared. When Congress in 1981 virtually eliminated the work incentive in AFDC, the number of long-term AFDC users who work began to fall--from 44 percent at the beginning of this decade to 14 percent today.

This trend has deeply troubled Minnesotans who fear that current policies are creating a permanent underclass in our state and in the nation. That concern has grown into a commitment to reverse the incentives welfare recipients now have to remain unemployed.

In Minnesota in 1986, a bipartisan Welfare Reform Commission recommended changes to Governor Rudy Perpich and the Minnesota Legislature. Some of the recommendations were implemented under existing federal regulations, while others required waivers of federal rules.

In 1987, the Minnesota Legislature took its first bold step toward welfare reform by enacting a program called PATHS. I won't take the time to describe PATHS to you now in detail except to note that it is markedly similar to the federal JOBS program created by the Family Support Act of 1988.

The focus of these programs is people, mostly single mothers, who are, or are at risk of becoming, long-term welfare recipients. Tne goal of PATHS and JOBS is to help these people acquire the skills they need to get and keep jobs--jobs that pay enough to enable a family to make it on their own.

In Minnesota, we've recognized the need to help families like these achieve this goal by providing case management services, employment and training assistance, child care, and access to health care. These services help address barriers that would otherwise prevent AFDC families from becoming independent.

The people of Minnesota are hopeful about this important first step, but we recognize the journey is a long one. While most recent reforms have introduced the goal of transition to self-sufficiency and have provided some services to help achieve that goal, they continue to operate within the current fragmented and cumbersome system. What we in Minnesota seek--and what I am asking this committee to consider--is a fundamental change.

That change would recognize a broader agenda than simply preventing errors and promoting economic self-sufficiency. We need to eliminate what might be called the "welfare sprawl"--too many programs, too many rules, too many procedures--and design the system so that its energy and resources are dedicated to meeting the goals of the system. And we must recognize that some families who are willing and able to work may not be capable of complete self-sufficiency, especially in an increasingly high-tech labor market. Those who are capable of <u>some</u> self-sufficiency deserve our support. Those who can support themselves, even partially, should not continue to be discouraged from doing so, as the current system does.

Currently many such families, if they try to support themselves fully, barely survive as members of the chronically working poor, struggling daily from crisis to crisis. Others remain on AFDC because they can't afford to lose health care benefits and the monthly check that is their only security. For them, working is a threat to those benefits critical to their daily lives. We must broaden their choices and allow them to improve their lives, if only through part-time or low-paid employment.

The Minnesota Family Investment Plan, I believe, is the best next step for welfare reform. As its name implies, it is an investment in the family guided by four central goals:

* To simplify the structure and administration of the welfare system;

* To prevent families from using welfare as their primary basis of support;

* To permit families to increase their living standards by allowing them to retain a greater portion of earned income; and

* To support families during their transition to financial independence.

In addition to the text of my presentation today, I am entering two documents into the written record: (1) a copy of the bill enacted by the Minnesota Legislature, and (2) a summary of the plan with questions and answers you might find helpful.

As the attachments demonstrate, the Minnesota Family Investment Plan would become the only program of income maintenance for families. The Minnesota Plan would consolidate AFDC, General Assistance for families, and Food Stamps into one unified program with one set of simplified rules and one cash grant for families. Eligibility would be based on income and resources. Procedures used to determine eligibility and the amount of payment would be simplified.

The Minnesota Plan would reward work. Working would always be more profitable than not working. The plan would create a two-tiered payment standard so working families could retain more of the money they work to earn. The first tier is the transitional standard. This tier applies to all families engaged in transitional activities aimed at self-sufficiency. This level would pay families at a fixed rate equal to AFDC plus the cash value of food stamps.

The second tier is the family wage level. This tier applies to families who are working. It assures that their income will be at least 120% of the transitional standard before their assistance begins to be reduced. Another important way in which the Minnesota plan would reward work is its treatment of earned income. The AFDC and food stamp earning disregards would be replaced with a flat disregard amount not less than 35%.

Under the Minnesota Plan all families would be expected to be working toward self-sufficiency, although families would be provided time to independently pursue this self-sufficiency. After that time--two years for single adult parents, six months for two adult parent families, and immediately for minor parents--a case manager would contract with the family to provide an array of services such as education, training, child care, support, and health services designed to lead to independence. The family would agree in that contract to prepare for and enter the job market. Families who refuse to enter into a contract for services or who fail to meet their contractual commitment would have their grant reduced by 10 percent.

The Minnesota Plan would reduce welfare dependency by improving paternity establishment and child support collections, by intervening early with minor parents, and by emphasizing education and training.

In addition, all families eligible for the Minnesota Plan would receive medical assistance and increased funding and reimbursement standards for child care.

As you can see, the Minnesota Plan is a comprehensive welfare reform program designed to create a unified, simplified, and dignified welfare system. It is not simply a test of whether cash benefits work better than food coupons. In fact, families would have the option to receive a portion of their assistance in the form of food coupons.

As I mentioned earlier, I am here today seeking your approval of a waiver that would allow Minnesota to conduct a five-year pilot project of the Minnesota Family Investment Plan. Specifically, that waiver would redirect about 10 percent of our state's welfare recipients--fewer than 6,000 families from both urban and rural areas of the state--away from the core welfare programs: Food Stamps, AFDC, and General Assistance for families. Instead, these families would qualify for the Minnesota Plan, which would provide the benefits from the core programs in a consolidated program operating under a single standard.

The waiver would also allow us to:

* simplify eligibility procedures and standards,

* establish the transitional and family wage benefit levels I mentioned earlier,

* include automatic eligibility for Medicaid and child care,

* replace former earning deductions with a single disregard of not less than 35 percent,

* develop self-sufficiency contracts with families that outline employment goals and transitional activities, and

* impose a 10 percent reduction in benefits to families who fail to develop or comply with a self-sufficiency contract within the prescribed time.

What would these changes mean for Congress? The Minnesota Family Investment Plan is an opportunity for Congress to implement and study a small scale redesign of the welfare system with little or no risk to the federal government or to participating families.

Clearly we will require additional funds to operate this program, and Minnesota is prepared to carry these costs. The waiver we seek guarantees fiscal neutrality for the federal government. And the language contains an effective "hold harmless" mechanism for participating families.

What would these changes mean for these 6,000 families?

* Families now receiving only food stamps, most of whom are working, would receive an increase in cash assistance. All of these families would be entitled to medical assistance. This entitlement represents an extension of health care coverage to many food stamp families.

* Families now receiving AFDC and food stamps would experience two important financial benefits. Some would see an increase in their assistance standard. The most important benefit is that many families would begin work with a resulting increase in net income.

* Families in special situations, such as migrant and seasonal farmer workers and the homeless, would be guaranteed all special provisions made for such families in the Food Stamp Act.

But more important for the participating families, the welfare system will no longer be a hole with no visible means of escape. Instead it will appear as a staircase that families can follow to climb out of poverty. And all along this climb participants will see reminders of their progress: help in assessing their needs; job training, education, and other support services; a paycheck with their name on it.

President Kennedy said, "There can be no progress if people have no faith in tomorrow." The Minnesota Family Investment Plan is designed to provide people with that faith in tomorrow as well as faith in their community and in themselves. With your approval, Minnesota is committed to testing this promising program, to bear the additional costs and, if results justify, to expand it to all Minnesotans in need.

Thank you, Mr. Chairman and committee members. I'll be happy to answer any questions you may have.

THE MINNESOTA FAMILY INVESTMENT PLAN (MFIP)
HISTORY OF THE DEVELOPMENT OF MFIP

THE PROCESS FOLLOWED TO THIS POINT

Development of comprehensive welfare reform is a long process, necessitating much labor and care.

Past Actions

1984-1985	Research reports identifying changes in composition of the Minnesota welfare caseloads and patterns of welfare use.
December, 1986	Report of the Governor's Commission on Welfare Reform
Spring, 1987	Submittal of waivers recommended by Welfare Reform Commission
Spring, 1987	Convening of executive branch task force to develop a proposal for comprehensive welfare reform.
December, 1987	Presentation of concept paper at the Spring Hill conference on welfare reform. Endorsement by the conference.
February - March, 1988	Convening of series of focus groups composed of local agencies, advocates and recipients to advise on key decisions.
September, 1988	Initial presentation of MFIP to Congressional staff and advocacy organizations.
October, 1988	Convening of working sessions with state advocates to counsel state on contents of endorsing state legislation.
November, 1988	Deliberations with national advocacy organizations.
January - June 1989	State legislation establishing key policies of MFIP and endorsing the seeking of Congressional waivers is introduced, debated and passed with bi-partisan support.
Spring-Summer 1989	Discussion with national advocates continue.

Future Actions

- Securing of Congressional authorization for a multi-year demonstration of MFIP.
- Negotiation of terms and conditions with the respective federal agencies.
- Design of the evaluation
- Development of operational features by task groups composed of local agencies and advocates.
- Securing of further state legislation to articulate details of policy and to fund the field trials
- Selection of counties to participate in the field trials.
- Redesign of operations in participating counties.
- Implementation of field trials.

Current work plans call for the beginning of field trials no earlier than 1993.

THE MINNESOTA FAMILY INVESTMENT PLAN (MFIP)
A COMPREHENSIVE WELFARE REFORM INITIATIVE

I. WHY MFIP?

Reforming Welfare: A consensus has emerged that the welfare system no longer reflects the economic and social realities of today's society, and that the system must be overhauled.

Other Reform Efforts: Although Minnesota's PATHS program and the federal Family Support Act are good first steps in reforming welfare, reform must go beyond simply adding employment, training and support services, and begin to fundamentally change the system itself.

Purpose/Goals of MFIP: MFIP seeks to change the entire welfare system. MFIP has the following goals:

- To help families transition to self-sufficiency
- To simplify the administration of public assistance
- To prevent welfare from becoming the primary basis of support for a family
- To support family income through policies which encourage work

II. WHAT IS MFIP?

Simplification: MFIP will simplify the welfare system by consolidating AFDC, GA for families and food stamps into one cash grant for families, and by reducing eligibility tests and simplifying procedures.

Differentiated Standard: MFIP will create a two tier standard so working families can retain more of their earnings. Under MFIP, working will be possible while on welfare and will always be more profitable than not working.

Expectations: Under MFIP, all families will be expected to be working toward self-sufficiency, although families will be encouraged to engage in transitional activities independently for a period of time. Families not involved in individually specified activities after system intervention will have their grant reduced by 10%.

Transition Services: MFIP will provide families with a full range of case management, education, employment and training, child care, health, family-based, social and other supporting services.

Prevention: MFIP will prevent dependency on welfare by improving paternity establishment and child support collection; by intervening early with minor parents; and by emphasizing education and training.

Supporting Efforts: MFIP is part of a broader effort to help disadvantaged families, including educational improvements, early childhood programs and services to at-risk teenagers.

III. HOW DO WE PROCEED TOWARD MFIP?

Steps:

- Enact 1989 legislation to authorize DHS to seek Congressional action
- Seek Congressional action
- Negotiate terms of waivers and funding with federal agencies
- Return to legislature for approval of program and budget for field trials
- Conduct field trials and evaluate results
- Proceed statewide based on results of field trials

Long-term View: MFIP must be viewed as a long term project; the degree of change from the current system is so great that much policy development and testing is necessary.

Field Trials: Field trials will be necessary to test the impacts of various MFIP components and to determine the effects of operating the program statewide.

THE MINNESOTA FAMILY INVESTMENT PLAN (MFIP)
IMPACT OF MFIP ON THE FOOD STAMP CASELOAD

Eligibility of Current Food Stamp Families for MFIP

NOTE: The figures used in the table represent statewide implementation of MFIP. **MFIP is proposed as field trials which will involve 10% of statewide caseloads.**

AFDC Use Among Food Stamp Families	Current Food Stmp Families	Food Stmp Families Eligible for MFIP
Concurrently receiving AFDC	43,000	43,000
Not receiving AFDC	10,300	5,900
TOTAL	53,300	48,900

Comments

MFIP will be implemented in field trials which will involve 10% of the statewide caseload. Participation in MFIP field trials by food stamp families would be as follows:

1. All current food stamp families concurrently receiving AFDC would qualify for MFIP (approximately 4,300 families).

2. Most food stamp families not receiving AFDC would be eligible for MFIP. Only 400 to 500 families would not qualify, due to earned income exceeding MFIP eligibility thresholds. These families would continue to receive food stamps according to existing food stamp eligibility guidelines.

In addition, MFIP field trials would serve families that currently do not use food stamps. Included in this group are 1,100 families currently receiving AFDC but not eligible for food stamps, and 100 to 200 families receiving general assistance (state funded program).

IMPACT ON BENEFITS OF FOOD STAMP FAMILIES ELIGIBLE FOR MFIP

MFIP PROVIDES GREATER FINANCIAL ASSISTANCE FOR MOST FAMILIES

Families Currently Receiving AFDC and Food Stamps

. Effect of MFIP standard of assistance:
  - Families currently receiving "full" food stamps[1] (46% of these families) would see no increase in financial benefits, as they are currently receiving assistance equal to the MFIP standard of assistance .
  - Families currently not receiving "full" food stamps (54% of these families) would see a slight increase in financial assistance, up to $45 per month.

. Effect of increased earnings disregards in MFIP:
  1500 more families are projected to be working in MFIP field trials than currently work under AFDC and food stamp rules.

Families Currently Using Food Stamps Only

Increased disregards of earned income will provide food stamp users who are currently working with $200 to $300 in additional income each month.

MEDICAL ASSISTANCE WOULD BE EXTENDED TO MANY FOOD STAMP FAMILIES

MFIP will provide automatic Medical Assistance (MA) coverage to all participants. This will extend coverage to many non-AFDC food stamp families not eligible for MA. Food stamp families that concurrently receive AFDC would continue to receive automatic MA coverage.

CHILD CARE ASSISTANCE ASSURED FOR ALL MFIP PARTICIPANTS

MFIP would provide child care assistance to all participants who are working, in school, or in other employment and training activities. Currently, little funding is available to assist food stamp recipients with child care.

SPECIAL RIGHTS AND SERVICES FOR FOOD STAMP USERS ARE PRESERVED

MFIP will guarantee the continuation of special provisions for migrants, seasonal farm workers and the homeless.

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[1] MFIP assistance standard set at AFDC plus "full cash value of food stamps." "Full food stamps" calculated by: assume unearned income equal to AFDC standard and subtract the standard deduction and maximum shelter deduction from gross income.

COMPARISON OF THE MINNESOTA FAMILY INVESTMENT PLAN (MFIP) AND THE WASHINGTON STATE FAMILY INDEPENDENCE PROGRAM (WFIP)

Both Washington State's Family Independence Program (WFIP) and the Minnesota Family Investment Plan (MFIP) reform welfare programs for families. Both consolidate AFDC and Food Stamps and require numerous rule waivers. Yet there are numerous and substantive differences in the approach to achievement of these changes, and there will very likely be a difference in outcome.

Similarities between Washington's and Minnesota's FIPs

- Both programs cash out food stamps for families, encourage work among the caregivers by involving them in employment and training activities, and restructure the grant determination system. Both programs involve case managers to assist clients in developing self-sufficiency plans.

Differences Between the Two Programs

State Fiscal Neutrality

- MFIP increases benefits and services to families, thereby necessitating increased cost to the state. MFIP guarantees federal fiscal neutrality, so state fiscal neutrality would prevent MFIP from achieving its goals. Washington promised both federal and state fiscal neutrality.

Population Covered

- Families receiving only Food Stamps will not be eligible for WFIP, but will be eligible for MFIP. WFIP covers pregnant women in their second trimester at a one-person standard, while MFIP will cover pregnant women in their third trimester at a standard equal to one adult and one child.

- Benefit and Incentive Structure

  Washington's FIP uses a "benchmark standard" ranging from 100% to 135% of the combined value of AFDC and 80% of the Thrifty Food Plan for Food Stamps. The benchmark varies according to activities which the caregiver is involved in and the number of hours worked. Because of the structure of the benchmark standard, monthly work between 1 and 75 hours results in lower family income under Washington's FIP than under AFDC's $30+1/3 for the first four months as well as $30 disregard thereafter. Since Washington incorporated a hold-harmless clause, dual calculations are necessary, and many cases are paid a hold harmless payment to bring them up to the grant level provided under AFDC and Food Stamps. Food Stamp calculations are made on a case-by-case basis using current Food Stamp rules.

Minnesota uses a single payment standard which totally replaces AFDC and Food Stamp calculations. MFIP uses a two-tiered assistance standard, disregarding earnings consistently, regardless of the number of hours worked. MFIP also includes a 35 percent disregard of gross earned income. These features of the program have the result that family income is always better through working than not working, and family income will be higher under MFIP than under AFDC.

Sole Program for Families

- MFIP will be the only program available to families involved in the field trials, both current and new cases. WFIP conversion is voluntary amongst current cases and is the only program available for new cases, except for families living in the control group sites.

Implementation

- MFIP will be implemented on a field trial basis only for five years. WFIP is planned to be phased in gradually until it becomes statewide (as resources permit) with the exception of the five control sites.

Expectations, i.e. Mandatory v. Voluntary

- MFIP differs from WFIP in its expectations for caregivers with regard to their participation in transitional activities. Depending on the family structure and duration of welfare use, MFIP families will be required to develop a contract and comply with the terms of their contract. WFIP is currently voluntary. MFIP applies a ten percent sanction on benefits for families who do not comply with the contract requirement, FIP has no such provision.

Treatment of Child Care

- WFIP will subsidize child care of families at 90-100% of market rate, and subsidize extended child care up to 75% of market rate on a sliding fee basis. MFIP will subsidize child care up to 110% of market rate, will subsidize extended child care with a modified sliding fee for 100% of the child care cost.

Eligibility of Two-Parent Families

- Washington's FIP retains some of the eligibility provisions of AFDC, such as the "100-hour rule" for two-parent families, and AFDC resource and asset tests. One year after WFIP was implemented, the quarters of work test for eligibility was reinstated. Under MFIP, two-parent families are eligible if they meet the income and resource tests. The 100-hour rule and quarters of work test would be eliminated in MFIP.

Subdivision 1. [ESTABLISHMENT OF SYSTEMS.] The commissioner of human services shall establish and enhance computer systems necessary for the efficient operation of the programs the commissioner supervises, including:

(1) management and administration of the food stamp and income maintenance programs;

(2) ~~the central clearinghouse project for~~ management and administration of the child support enforcement program; and

(3) administration of medical assistance and general assistance medical care.

The commissioner shall distribute the nonfederal share of the costs of operating and maintaining the systems to the commissioner and to the counties participating in the system in a manner that reflects actual system usage, except that the nonfederal share of the costs of the MAXIS computer system and child support enforcement systems shall be born entirely by the commissioner. Development costs must not be assessed against local agencies.

Sec. 6. [256.031] [MINNESOTA FAMILY INVESTMENT PLAN.]

Subdivision 1. [CITATION.] Sections 256.031 to 256.036 may be cited as the Minnesota family investment plan.

Subd. 2. [LEGISLATIVE FINDINGS.] The legislature recognizes the need to fundamentally change the way government supports families. The legislature finds that many features of the current system of public assistance do not help families carry out their two basic functions: the economic support of the family unit and the care and nurturing of children. The legislature recognizes that the Minnesota family investment plan is an investment strategy that will support and strengthen the family's social and financial functions. This investment in families will provide long-term benefits through stronger and more independent families.

Subd. 3. [AUTHORIZATION FOR THE DEMONSTRATION.] The commissioner of human services, in consultation with the commissioners of education, finance, jobs and training, health, and planning, and the directors of the higher education

coordinating board and the office of jobs policy, is authorized to proceed with the planning and designing of the Minnesota family investment plan and test policies, methods, and cost impact on an experimental basis by using field trials. Sections 256.031 to 256.033 describe the basic principles of the program. Sections 256.034 to 256.036 provide a basis for congressional action. Using sections 256.031 to 256.036, the commissioner shall seek congressional authority to implement the program in field trials. After obtaining congressional authority to implement the Minnesota family investment plan in field trials, the commissioner shall request specific appropriations from the legislature to implement field trials. The field trials must be conducted for as many years as necessary, and in different geographical settings, to provide reliable instruction about the desirability of expanding the program statewide.

Subd. 4. [GOALS OF THE MINNESOTA FAMILY INVESTMENT PLAN.] The commissioner shall design the program to meet the following goals:

(1) to support families' transition to financial independence by emphasizing options, removing barriers to work and education, providing necessary support services, and building a supportive network of education, employment and training, health, social, counseling, and family-based services;

(2) to allow resources to be more effectively and efficiently focused on investing in families by removing the complexity of current rules and procedures and consolidating public assistance programs;

(3) to prevent long-term dependence on public assistance through paternity establishment, child support enforcement, emphasis on education and training, and early intervention with minor parents; and

(4) to provide families with an opportunity to increase their living standard by rewarding efforts aimed at transition to employment and by allowing families to keep a greater portion of earnings when they become employed.

Subd. 5. [FEDERAL WAIVERS.] The commissioner of human

services shall seek authority from Congress to implement the Minnesota family investment plan on a demonstration basis. If necessary, the commissioner shall seek waivers of compliance with requirements for: aid to families with dependent children under United States Code, title 42, sections 601 to 679a, as amended; medical assistance under United States Code, title 42, sections 1396 to 1396s, as amended; food stamps under United States Code, title 7, sections 2011 to 2030, as amended; and other federal requirements that would inhibit implementation of the Minnesota family investment plan. The commissioner shall seek terms from the federal government that are consistent with the goals of the Minnesota family investment plan. The commissioner shall also seek terms from the federal government that will maximize federal financial participation so that the extra costs to the state of implementing the program are minimized, to the extent that those terms are consistent with the goals of the Minnesota family investment plan. An agreement with the federal government under this section shall provide that the agreements may be canceled by the state or federal government upon six months' notice or immediately upon mutual agreement. If the agreements are canceled, families receiving assistance under the Minnesota family investment plan who are eligible for the aid to families with dependent children, general assistance, medical assistance, general assistance medical care, and the food stamp programs must be placed on those programs.

Sec. 7. [256.032] [DEFINITIONS.]

Subdivision 1. [SCOPE OF DEFINITIONS.] The terms used in sections 256.031 to 256.036 have the meanings given them unless otherwise provided or indicated by the context.

Subd. 2. [CAREGIVER.] "Caregiver" means a minor child's natural or adoptive parent or parents who live in the home with the minor child. For purposes of determining eligibility for this program, "caregiver" also means any of the following individuals who live with and provide care and support to a minor child when the minor child's natural or adoptive parent or

parents do not reside in the same home: grandfather, grandmother, brother, sister, stepfather, stepmother, stepbrother, stepsister, uncle, aunt, first cousin, nephew, niece, persons of preceding generations as denoted by prefixes of "great" or "great-great," or a spouse of any person named in the above groups even after the marriage ends by death or divorce.

Subd. 3. [CASE MANAGEMENT.] "Case management" means the assessment of family needs and coordination of services necessary to support the family in its social and economic roles, in addition to the services described in section 256.736, subdivision 11.

Subd. 4. [COMMISSIONER.] "Commissioner" means the commissioner of human services or a designee.

Subd. 5. [CONTRACT.] "Contract" means a family self-sufficiency plan, described in section 256.035, subdivision 7, based on the case manager's assessment of the family's needs and abilities and developed, together with a parental caregiver, by a county agency or its designee.

Subd. 6. [DEPARTMENT.] "Department" means the department of human services.

Subd. 7. [FAMILY.] For purposes of determining eligibility for this program, "family" includes the following individuals who live together: a minor child or a group of minor children related to each other as siblings, half siblings, stepsiblings, or adopted siblings, together with their natural or adoptive parents, or their caregiver as defined in subdivision 2. "Family" also includes a pregnant woman in the third trimester of pregnancy with no children.

Subd. 8. [FAMILY WAGE LEVEL.] "Family wage level" means 120 percent of the transitional standard, as defined in subdivision 13.

Subd. 9. [ORIENTATION.] "Orientation" means a presentation that meets the requirements of section 256.736, subdivision 10a, provides information to caregivers about the Minnesota family investment plan, and encourages parental caregivers to engage in

activities that will stabilize the family and lead to self-sufficiency.

Subd. 10. [PROGRAM.] "Program" means the Minnesota family investment plan.

Subd. 11. [SIGNIFICANT CHANGE.] "Significant change" means a change of ten percent or $50, whichever is less, in monthly gross family earned income, or a change in family composition.

Subd. 12. [TRANSITIONAL STATUS.] "Transitional status" means the status of caregivers who are independently pursuing self-sufficiency or caregivers who are complying with the terms of a contract with a county agency or its designee.

Subd. 13. [TRANSITIONAL STANDARD.] "Transitional standard" means the sum of the AFDC standard of assistance and the full cash value of food stamps for a family of the same size and composition in effect when implementation of the Minnesota family investment plan begins. This standard applies to families in which the parental caregiver is in transitional status and to families in which the caregiver is exempt from having a contract or is exempt from complying with the terms of the contract. Full cash value of food stamps is the amount of the cash value of food stamps to which a family of a given size would be entitled for a month, determined by assuming unearned income equal to the AFDC standard for a family of that size and composition and subtracting the standard deduction and maximum shelter deduction from gross family income, as allowed under the Food Stamp Act of 1977, as amended, and Public Law Number 100-435. The assistance standard for a family consisting of a pregnant woman in the third trimester of pregnancy with no children must equal the assistance standard for one adult and one child.

Sec. 8. [256.033] [ELIGIBILITY FOR THE MINNESOTA FAMILY INVESTMENT PLAN.]

Subdivision 1. [ELIGIBILITY CONDITIONS.] A family is eligible for and entitled to assistance under the Minnesota family investment plan if:

(1) the family's net income, after deducting an amount to

cover taxes and actual dependent care costs up to the maximum disregarded under United States Code, title 42, section 602(a)(8)(A)(iii), does not exceed the applicable standard of assistance for that family as defined under section 256.032, subdivision 13; and

(2) the family's nonexcluded resources do not exceed $2,000.

Subd. 2. [DETERMINATION OF FAMILY INCOME.] The aid to families with dependent children income exclusions listed in Code of Federal Regulations, title 45, sections 233.20(a)(3) and 233.20(a)(4), must be used when determining a family's available income, except that:

(1) the disregard of the first $75 of gross earned income is replaced with a single disregard described in section 256.035, subdivision 4, paragraph (a);

(2) all earned income of a minor child receiving assistance through the Minnesota family investment plan is excluded when the child is attending school at least half-time;

(3) all earned income tax credit payments received by the family as a refund of federal income taxes or made as advance payments are excluded in accordance with 42 United States Code, section 602(a)(8)(A)(viii);

(4) educational grants and loans as provided in section 256.74, subdivision 1, clause (2), are excluded; and

(5) all other income listed in Minnesota Rules, part 9500.2380, subpart 2, is excluded.

Subd. 3. [DETERMINATION OF FAMILY RESOURCES.] When determining a family's resources, the following are excluded:

(1) the family's home, together with the surrounding property not separated from the home by intervening property owned by others;

(2) one burial plot for each family member;

(3) one prepaid burial contract with an equity value of no more than $1,500 for each member of the family;

(4) licensed automobiles, trucks, or vans up to a total equity value of $4,500;

(5) the value of personal property needed to produce earned

income, including tools, implements, farm animals, and inventory;

(6) the entire equity value of a motor vehicle determined to be necessary for the operation of a self-employment business; and

(7) clothing, necessary household furniture, equipment, and other basic maintenance items essential for daily living.

Subd. 4. [TREATMENT OF SSI AND MSA.] The monthly benefits and any other income received through the supplemental security income or Minnesota supplemental aid programs and any real or personal property of a person receiving supplemental security income or Minnesota supplemental aid must be excluded in determining the family's eligibility for the Minnesota family investment plan and the amount of assistance. In determining the amount of assistance to be paid to the family, the needs of the person receiving supplemental security income or Minnesota supplemental aid must not be taken into account.

Subd. 5. [ABILITY TO APPLY FOR FOOD STAMPS.] A family that is ineligible for assistance through the Minnesota family investment plan due to income or resources may apply for, and if eligible receive, benefits under the food stamp program.

Sec. 9. [256.034] [PROGRAM SIMPLIFICATION.]

Subdivision 1. [CONSOLIDATION OF TYPES OF ASSISTANCE.] Under the Minnesota family investment plan, assistance previously provided to families through the AFDC, food stamp, and general assistance programs must be combined into a single cash assistance program. If authorized by Congress, families receiving assistance through the Minnesota family investment plan are automatically eligible for and entitled to medical assistance under chapter 256B. Federal, state, and local funds that would otherwise be allocated for assistance to families under the AFDC, food stamp, and general assistance programs must be transferred to the Minnesota family investment plan. The provisions of the Minnesota family investment plan prevail over any provisions of sections 256.72 to 256.87 or 256D.01 to 256D.21 with which they are irreconcilable. The food stamp,

general assistance, and work readiness programs for single persons and couples who are not responsible for the care of children are not replaced by the Minnesota family investment plan.

Subd. 2. [COUPON OPTION.] Families have the option to receive a portion of their assistance, designated by the commissioner, in the form of food coupons or vendor payments.

Subd. 3. [MODIFICATION OF ELIGIBILITY TESTS.] (a) A needy family is eligible and entitled to receive assistance under the program even if its children are not found to be deprived of parental support or care by reason of death, continued absence from the home, physical or mental incapacity of a parent, or unemployment of a parent, provided the family's income and resources do not exceed the eligibility requirements in section 256.033. In addition, a family member who is physically and mentally fit, who is between the ages of 18 and 60 years, who is enrolled at least half time in an institution of higher education, and whose family income and resources do not exceed the eligibility requirements in section 256.033, is eligible for assistance under the Minnesota family investment plan even if the conditions for eligibility as prescribed under the federal Food Stamp Act of 1977, as amended are not met.

(b) An applicant for, or a person receiving, assistance under the Minnesota family investment plan is considered to have assigned to the public agency responsible for child support enforcement at the time of application all rights to child support and maintenance from any other person the applicant may have in the applicant's own behalf or on behalf of any other family member for whom application is made under the Minnesota family investment plan. The provisions of section 256.74, subdivision 5, govern the assignment. An applicant for, or a person receiving, assistance under the Minnesota family investment plan shall cooperate with the efforts of the county agency to collect child and spousal support. The county agency is entitled to any child support and maintenance received by or on behalf of the person receiving assistance or another member

of the family for which the person receiving assistance is responsible. Failure by an applicant or a person receiving assistance to cooperate with the efforts of the county agency to collect child and spousal support without good cause must be sanctioned according to section 256.035, subdivision 3.

(c) An applicant for, or a person receiving, assistance under the Minnesota family investment plan is not required to comply with the employment and training requirements prescribed under sections 256.736, subdivisions 3, 3a, and 14; and 256D.05, subdivision 1; section 402(a)(19) of the Social Security Act; the federal Food Stamp Act of 1977, as amended; Public Law Number 100-485; or any other state or federal employment and training program, unless compliance is specifically required in a contract with the county agency.

Subd. 4. [SIMPLIFICATION OF BUDGETING PROCEDURES.] The monthly amount of assistance provided by the Minnesota family investment plan must be calculated on a prospective basis taking into account actual income or circumstances that existed in a previous month and other relevant information to predict income and circumstances for the next month or months. When a family has a significant change in circumstances, the budgeting cycle must be interrupted and the amount of assistance for the payment month must be based on the county agency's best estimate of the family's income and circumstances for that month. Families may be required to report their income monthly, but income may be averaged over a period of more than one month.

Subd. 5. [SIMPLIFICATION OF VERIFICATION PROCEDURES.] Verification procedures must be reduced to the minimum that is workable and consistent with the goals and requirements of the Minnesota family investment plan.

Sec. 10. [256.035] [INCOME SUPPORT AND TRANSITION.]

Subdivision 1. [EXPECTATIONS.] All families eligible for assistance under the family investment plan are expected to be in transitional status as defined in section 256.032, subdivision 12. To be considered in transitional status, families must meet the following expectations:

(a) For a family headed by a single adult parent, the expectation is that the parent will independently pursue self-sufficiency until the family has received assistance for 24 months within the preceding 36 months. Beginning with the 25th month of assistance, the parent must be developing or have a contract and comply with the terms of the contract with the county agency or its designee.

(b) For a family with a minor parent, the expectation is that, concurrent with the receipt of assistance, the minor parent must be developing or have a contract with the county agency. The terms of the contract must include compliance with section 256.736, subdivision 3b.

(c) For a family with two adult parents, the expectation is that one or both parents will independently pursue self-sufficiency until the family has received assistance for six months within the preceding 12 months. Beginning with the seventh month of assistance, one parent must be developing or have a contract and comply with the terms of the contract with the county agency or its designee.

Subd. 2. [EXEMPTIONS.] A caregiver is exempt from the requirement of developing a contract and complying with the terms of the contract developed with the county agency, or engaging in transitional activities, if:

(1) the caregiver is not the natural or adoptive parent of a minor child; or

(2) in the case of a parental caregiver, the county agency determines that:

(i) individual circumstances prevent compliance;

(ii) support services necessary to enable compliance are not available;

(iii) activities identified in the contract are not available; or

(iv) a parental caregiver is willing to accept suitable employment but employment is not available.

Subd. 3. [SANCTIONS.] A family whose parental caregiver is not exempt from the expectations in subdivision 1 and who is no

complying with those expectations must have assistance reduced by a value equal to ten percent of the transitional standard as defined in section 256.032, subdivision 13. This reduction continues until the failure to comply ceases. The county agency must notify the parental caregiver of its intent to implement this sanction and the opportunity to have a conciliation conference, upon request, before the sanctions are implemented.

Subd. 4. [TREATMENT OF INCOME.] To help families during their transition from the Minnesota family investment plan to self-sufficiency, the following income supports are available:

(a) The $30 and one-third and $75 disregards allowed under section 256.74, subdivision 1, and the 20 percent earned income deduction allowed under the federal Food Stamp Act of 1977, as amended, are replaced with a single disregard of not less than 35 percent of gross earned income to cover taxes and other work-related expenses and to reward the earning of income. This single disregard is available for the entire time a family receives assistance through the Minnesota family investment plan.

(b) The dependent care deduction, as prescribed under section 256.74, subdivision 1, and United States Code, title 7, section 2014(e), is replaced for families with earned income who need assistance with dependent care with an entitlement to a dependent care subsidy from money earmarked for the Minnesota family investment plan.

(c) The family wage level, as defined in section 256.032, subdivision 8, allows families to supplement earned income with assistance received through the Minnesota family investment plan. If, after earnings are adjusted according to the disregard described in paragraph (a), earnings have raised family income to a level equal to or greater than the family wage level, the amount of assistance received through the Minnesota family investment plan must be reduced.

(d) The first $50 of any timely support payment for a month received by the public agency responsible for child support enforcement shall be paid to the family and disregarded in determining eligibility and the amount of assistance in

accordance with United States Code, title 42, sections 602(a)(8)(A)(vi) and 657(b)(1). This paragraph applies regardless of whether the caregiver is in transitional status, is exempt from having or complying with the terms of a contract, or has had a sanction imposed under subdivision 3.

Subd. 5. [ORIENTATION.] All caregivers receiving assistance through the Minnesota family investment plan must attend orientation.

Subd. 6. [CONTRACT.] (a) To receive the transitional standard of assistance, a single adult parent who is a member of a family that has received assistance through the Minnesota family investment plan for 24 months within the preceding 36 months, a minor parent receiving assistance through the Minnesota family investment plan, and one parent in a two-parent family that has received assistance through the Minnesota family investment plan for six months within the preceding 12 months, must comply with the terms of a contract with the county agency or its designee unless exempt under subdivision 2. Case management must be provided to a caregiver who is a parent to assist the caregiver in meeting established goals and to monitor the caregiver's progress toward achieving those goals. The parental caregiver and the county agency must finalize the contract as soon as possible, but in any event within a reasonable period of time after the deadline specified in subdivision 1, paragraph (a), (b), or (c), whichever applies.

(b) A contract must identify the parental caregiver's employment goal and explain what steps the family must take to pursue self-sufficiency. Activities may include:

(1) orientation;

(2) employment;

(3) employment and training services as defined under section 256.736, subdivision 1a, paragraph (d);

(4) preemployment activities;

(5) participation in an educational program leading to a high school or general equivalency diploma and post-secondary education programs, excluding postbaccalaureate degrees as

provided in section 256.736, subdivision 1a, paragraph (d):

(6) case management;

(7) social services; or

(8) other programs or services leading to self-sufficiency.

The contract must also identify the services that the county agency will provide to the family that the family needs to enable the parental caregiver to comply with the contract, including support services such as transportation and child care.

Subd. 7. [EMPLOYMENT BONUS.] A family leaving the program as a result of increased earnings through employment is entitled to an employment bonus. This bonus is a one-time cash incentive, not more than the family's monthly payment standard, to cover initial expenses incurred by the family leaving the Minnesota family investment plan.

Subd. 8. [CHILD CARE.] The commissioner shall ensure that each Minnesota family investment plan caregiver who is a parent in transitional status and who needs assistance with child care costs to independently pursue self-sufficiency or comply with the terms of a contract with the county agency receives a child care subsidy through child care money earmarked for the Minnesota family investment plan. The subsidy must cover all actual child care costs for eligible hours up to the maximum rate allowed under sections 256H.15 and 256H.16. A caregiver who is a parent who leaves the program as a result of increased earnings from employment and who needs child care assistance to remain employed is entitled to extended child care assistance as provided under United States Code, title 42, section 602(g)(1)(A)(ii).

Subd. 9. [HEALTH CARE.] A family leaving the program as a result of increased earnings from employment is eligible for extended medical assistance as provided under Public Law Number 100-485, section 303, as amended.

Sec. 11. [256.036] [PROTECTIONS.]

Subdivision 1. [SUPPORT SERVICES.] If assistance with child care or transportation is necessary to enable a caregiver who is a parent to work, obtain training or education, attend

orientation, or comply with the terms of a contract with the county agency, and the county determines that child care or transportation is not available, the family's applicable standard of assistance continues to be the transitional standard.

Subd. 2. [VOLUNTEERS.] For caregivers receiving assistance under the Minnesota family investment plan who are independently pursuing self-sufficiency, case management and support services other than child care are available to the extent that resources permit.

Subd. 3. [NOTIFICATION REQUIREMENT.] The county agency shall contact a family headed by a single adult parent when the family has received assistance through the Minnesota family investment plan for 18 months within the preceding 36 months. The county agency shall remind the family that beginning with the 24th month of assistance, receipt of the transitional standard is contingent upon transitional status. The county agency shall encourage the family to begin preparing for the change in expectations.

Subd. 4. [TIMELY ASSISTANCE.] Applications must be processed in a timely manner according to the processing standards of the federal Food Stamp Act of 1977, as amended, and no later than 30 days following the date of application, unless the county agency has requested information that the applicant has not yet supplied. Financial assistance must be provided on no less than a monthly basis to eligible families.

Subd. 5. [DUE PROCESS.] Any family that applies for or receives assistance under the Minnesota family investment plan whose application for assistance is denied or not acted upon with reasonable promptness, or whose assistance is suspended, reduced, terminated, or claimed to have been incorrectly paid, is entitled, upon request, to a hearing under section 256.045. A parental caregiver may request a conciliation conference, under section 256.736, subdivisions 4a and 11, when the caregiver disputes the contents of a contract developed under the Minnesota family investment plan or disputes a decision regarding failure or refusal to cooperate with the terms of a

contract. The disputes are not subject to administrative review under section 256.045, unless they result in a denial, suspension, reduction, or termination, and the parental caregiver complies with section 256.045. A caregiver need not request a conciliation conference to request a hearing according to section 256.045.

Subd. 6. [TREATMENT OF FOOD ASSISTANCE.] The portion of cash assistance provided under the Minnesota family investment plan that the commissioner designates as representing food assistance must be disregarded for other local, state, or federal programs.

Subd. 7. [ADJUSTMENT OF FOOD ASSISTANCE AMOUNT.] The commissioner shall assure that increases in the federal food stamp allotments and deductions are reflected in the food assistance portion of the assistance provided under the Minnesota family investment plan.

Subd. 8. [EXPEDITED BENEFITS.] Provisions for expedited benefits under the Minnesota family investment plan may not be less restrictive than provisions for expedited benefits under the Food Stamp Act of 1977, as amended, and state food stamp policy and include either expediting issuance of a predesign. portion of assistance provided through the Minnesota family investment plan or through the existing food stamp program.

Subd. 9. [SPECIAL RIGHTS OF MIGRANT AND SEASONAL FARM WORKERS AND HOMELESS PEOPLE.] Federally prescribed procedures, means of applying for and obtaining assistance, reporting and verification requirements, and other similar provisions specifically for migrant and seasonal farmworkers or homeless people under the Food Stamp Act of 1977, as amended, continue to be available to eligible migrant, seasonal farmworker, or homeless families. The commissioner shall comply with the bilingual requirements of United States Code, title 7, section 2020(e)(1)(B).

Subd. 10. [ASSESSMENT OF FAMILY IMPACT.] The evaluation design of the field trials must include an assessment of the financial condition of a sample of families in the Minnesota

family investment plan relative to what their financial condition would have been in the absence of the Minnesota family investment plan.

Sec. 12. Minnesota Statutes 1988, section 256.045, subdivision 1, is amended to read:

Subdivision 1. [POWERS OF THE STATE AGENCY.] The commissioner of human services may appoint one or more state human services referees to conduct hearings and recommend orders in accordance with subdivisions 3, 3a, 4a, and 5. Human services referees designated pursuant to this section may administer oaths and shall be under the control and supervision of the commissioner of human services and shall not be a part of the office of administrative hearings established pursuant to sections 14.48 to 14.56.

Sec. 13. Minnesota Statutes 1988, section 256.045, subdivision 3, is amended to read:

Subd. 3. [STATE AGENCY HEARINGS.] ~~(a)~~ Any person applying for, receiving or having received public assistance or a program of social services granted by the state agency or a local agency under sections 252.32, 256.031 to 256.036, and 256.72 to 256.879, chapters 256B, 256D, 256E, 261, or the federal Food Stamp Act whose application for assistance is denied, not acted upon with reasonable promptness, or whose assistance is suspended, reduced, terminated, or claimed to have been incorrectly paid, or any patient or relative aggrieved by an order of the commissioner under section 252.27, or a party aggrieved by a ruling of a prepaid health plan, may contest that action or decision before the state agency by submitting a written request for a hearing to the state agency within 30 days after receiving written notice of the action or decision, or within 90 days of such written notice if the applicant, recipient, patient, or relative shows good cause why the request was not submitted within the 30-day time limit.

~~(b) All prepaid health plans under contract to the commissioner pursuant to chapter 256B or 256D must provide for a complaint system according to section 62D.11. The prepaid~~

Sec. 130. [IMPLEMENTATION.]

The commissioner is authorized to proceed with the planning and designing of the Minnesota family investment plan, according to the requirements of Minnesota Statutes, sections 256.031 to 256.036. Sections 256.031 to 256.036 may not be implemented or enforced until the legislature authorizes a specific date for implementation either statewide or on a field trial basis. The definition of family in section 256.032, subdivision 7, shall not be construed to define what an assistance unit or filing unit is in the Minnesota family investment plan on and after the effective date of sections 256.031 to 256.036, this section, and amendments to section 256.045, subdivision 3, in section 13. The commissioner shall study the relevance of these concepts for the Minnesota family investment plan and include recommendations in the Minnesota family investment plan and funding request. The commissioner shall include in the Minnesota family investment plan a mechanism to empower the parental caregiver in a dispute regarding the contents of a contract. This mechanism shall be available before the caregiver is given a notice of intent to implement sanctions as required under section 256.035, subdivision 3. This mechanism may be a hearing under section 256.045.

THE MINNESOTA FAMILY INVESTMENT PLAN (MFIP)
A SUMMARY

I. WHY?

Why welfare reform?

Aren't recent reforms ("PATHS", Federal reforms) sufficient?

How, then, does MFIP go beyond the reforms enacted to date?

II. WHAT IS "MFIP"?

What are the goals of MFIP?

How will MFIP simplify the welfare system?

How will MFIP promote transition to self-sufficiency?

How does MFIP insure that working will be more profitable than not working?

What are the expectations for transition to self-sufficiency?

What services will MFIP provide to help families pursue self-sufficiency?

How will MFIP prevent financial hardship and dependency on welfare?

What other efforts provide important support to MFIP?

What administrative steps must be taken to implement MFIP?

III. HOW DO WE PROCEED TOWARD "MFIP"?

What is the proposed development plan and schedule?

Why are field trials called for?

Why such a long period of development and testing before state-wide implementation would be considered?

June, 1989

THE MINNESOTA FAMILY INVESTMENT PLAN (MFIP)
I. WHY?

WHY WELFARE REFORM?

The welfare system has not always been effective in helping families to move toward greater self support and improve their standard of living.

- Family income has declined significantly among the poorest families.
- Long term dependency and inactivity mark the lives of a costly minority of welfare families.
- The welfare system has become exceptionally complex, and lacks a unifying focus.

While reform is driven by the need to find a response to such problems, expectations for change must be carefully formed.

- Family dysfunction and poverty arise from a highly complex set of social, personal, and economic circumstances. A reformed welfare system may be an improved response to such problems and have visible effect on the incidence or severity of such problems. But, changes to a welfare system will not erase such problems.
- The current system presents a mix of experiences, some of which need to be conserved. A fairly small portion of Minnesotans use AFDC and a majority of those who do use AFDC use the program for temporary help only.

AREN'T RECENT REFORMS ("PATHS", FEDERAL REFORMS) SUFFICIENT?

Recent reforms are important. These reforms are a response to emerging issues such as the problem of long term dependency. The reforms have introduced the goal of transition to self support and have installed interventions and services in support of that goal.

But, the recent reforms are only a beginning. They may be seen as an overlay upon a system whose core programs have not been changed. These reforms provide services to families who are in the welfare system rather than accomplishing the fundamental changes which would make the system itself serve families better.

HOW, THEN, DOES "MFIP" GO BEYOND THE REFORMS ENACTED TO DATE?

MFIP would fundamentally restructure the welfare system. MFIP does not merely layer programs onto an existing base.

- Major parts of the current system are eliminated or scaled down.

  Three programs for families would be eliminated: AFDC, Food Stamps for families and General Assistance for families. Other parts of the system which are seen as inefficient, ineffective or as inconsistent with goals of a reformed program will be eliminated or streamlined, e.g. certain eligibility criteria, complex case budgeting procedures, and unproductive verifications and audits.

- The system will be rebuilt to be more effective than the current system.

  MFIP will be goal-oriented

  Goals will be explicit, and the program will be shaped by these goals. These goals will focus on the problems that have inspired reform.

  Self-help is the key to impact

  MFIP's key strategy is to invest in strengthening families. Emphasis will be on enabling, supporting, rewarding and expecting movement by families toward self-support.

  The system will be more efficient

  Resources now inefficiently used in a complex system will be released for more purposeful application in a streamlined and goal-oriented system.

THE MINNESOTA FAMILY INVESTMENT PLAN (MFIP)
II. WHAT IS MFIP?

WHAT ARE THE GOALS OF MFIP?

MFIP is a comprehensive proposal to reform the welfare system guided by four central goals:

- To support families in their transition to financial independence;
- To simplify the structure and administration of the welfare system in order to use resources more effectively;
- To prevent welfare from becoming the primary basis of support for a family;
- To provide families with the opportunity to increase their standard of living through policies which allow retention of a greater portion of earnings through employment.

HOW WILL MFIP SIMPLIFY THE WELFARE SYSTEM?

MFIP proposes to simplify the structure and administration of the public assistance system for families in Minnesota. Simplification will allow Minnesota to use existing resources more effectively and efficiently and to focus resources on helping families.

MFIP will simplify public assistance for families as follows:

- **Consolidate Programs:** AFDC, GA for families, and Food Stamps would be consolidated into a single cash payment for families. The Food Stamp and GA programs for single persons and couples without children would be retained.
- **Reduce Eligibility Tests:** Eligibility would be determined based only on income and resources of the family. Other tests would be eliminated, such as deprivation factors for single parent families and work history tests for two-parent families.
- **Simplify Procedures:** Budgeting procedures for determination of eligibility would be simplified in order to more easily accommodate the working family. Reporting requirements and verifications would be minimized.
- **Revise Quality Control:** Quality control would be redefined to incorporate the program goals. Working would be considered as a positive achievement instead of a condition which produces payment errors.

- **Local Flexibility:** Decisions regarding the structure of the MFIP service system, such as choice of service providers and program design, would be made by local agencies. State goals and objectives would guide local agencies.

HOW WILL MFIP PROMOTE TRANSITION TO SELF-SUFFICIENCY?

MFIP promotes movement to greater self-support through three key strategies:

- Working would always be more profitable than not working. A differentiated standard and income disregards ensure that family income increases when work effort increases.

- Families would be expected to be in transition. Expectations would be presented at orientation, applied to long term cases through a contract, and enforced, if necessary, by case sanctions.

- Families' transitional efforts would be supported by the system. A broad range of services would be available to help families in their transition to self-sufficiency.

HOW DOES MFIP INSURE THAT WORKING WILL BE MORE PROFITABLE THAN NOT WORKING?

A major change that MFIP proposes in the current system is the adoption of a two-tier payment standard. The tiers would be:

- ***Transitional Standard:*** *Fixed at the total of current AFDC plus the full cash value of food stamps.* The transitional standard would be provided to all families engaged in transitional activities aimed at self-sufficiency.

- ***Family Wage Level:*** *Fixed at 120% of the transitional standard.*
  Only after earnings have raised family income to this level would earnings begin to reduce the amount of cash aid to the family.

The family wage level, in conjunction with a 38% disregard on earned income, allows families to increase their income by going to work. The adoption of the family wage level acknowledges that many people need to ease into the labor market through part-time or low-wage jobs. These options are widely available in today's labor market, but are a financial disadvantage under current AFDC rules. Under MFIP, people are always better off working than not working.

MFIP also provides an "Employment Bonus" to persons leaving cash assistance completely. Equal to one month's full grant payment, the employment bonus would help cover the expenses incurred during the transition to employment.

WHAT ARE EXPECTATIONS FOR TRANSITION TO SELF-SUFFICIENCY?

A key consideration in the design of MFIP is the duration of welfare use.

MFIP is a transitional program. The expectation is that all families will pursue self-sufficiency. The expectation would be outlined and monitored through a contract between the family and the local agency. The contract would involve steps that the family intends to pursue to reach self-sufficiency.

MFIP intentionally does not intervene immediately with all families. Rather, MFIP relies on the independent initiative that the majority of AFDC cases currently exhibit when they leave public assistance within two years. The timing of intervention and the application of expectations differs for different families:

- Families Headed by Minor Parents: Minor parents would be expected to develop a contract at the time they enter MFIP.

- Single Parent Families: Single parents would be expected to develop a contract by their 25th month of MFIP participation. For the first 24 of 36 months, participants are assumed to be pursuing self-sufficiency, and services would be available on a voluntary basis.

- Two Parent Families: Families with two parents would be expected to develop a contract by their seventh month of assistance.

MFIP would exempt some families from expectations. Although further development of these exemptions is necessary, expectations would generally be based on individual circumstances, lack of support services or the unavailability of an activity or suitable job. MFIP proposes no exemption based on the age of the youngest child. Instead, expectations would be tailored differently for families with young children, acknowledging the parental role in nurturing and child development.

Families that do not meet the expectation of developing and executing a contract at or before the time of intervention and are not exempt from expectations would have their grant reduced by 10%.

WHAT SERVICES WILL MFIP PROVIDE TO HELP FAMILIES PURSUE SELF-SUFFICIENCY?

MFIP would provide a comprehensive array of services to help families improve both their social and economic functioning. Developing these services will require coordinated planning and programming between education, employment and training, social service, health, and community-based organizations. The following services would be central to MFIP:

- **Orientation:** All MFIP participants would be required to attend an orientation session early in their participation to receive information on a full range of educational, training, employment, family, social, children's and other transitional services available and to promote active self-planning, referral, and development of self-directed strategies.

- **Case Management:** Case management would be the central tool used for working with families to develop and execute contracts. Case management would be provided in varying degrees of intensity, depending on family need, and include comprehensive family-based case management for families with multiple needs.

- **Education, Training and Employment:** A comprehensive set of services including secondary and adult basic education, vocational training, post-secondary education, job clubs, on-the-job training, employment search, etc., would be available to participants.

- **Child Care:** Child care assistance would be provided to all MFIP participants through all phases of their self-sufficiency contract, and 12 months after exit from MFIP due to employment, per the Family Support Act of 1988. A special set-aside fund for MFIP participants would be created in the Child Care Fund.

- **Supporting Services:** MFIP would provide transportation, family budgeting, self-esteem and life skills services, family based counseling, parenting education, peer support groups, and other services necessary to improve the family's social and economic functioning so they may become self-sufficient.

- **Health Services:** All MFIP participants would be automatically eligible for Medical Assistance (MA). MA would be extended 12 months after exit from MFIP, per the Family Support Act of 1988. Health and developmental screening for children would be emphasized as part of MFIP.

HOW WILL MFIP PREVENT FINANCIAL HARDSHIP AND DEPENDENCY ON WELFARE?

Prevention of the formation of chronically dependent families is imperative in any effort to reform welfare. MFIP would employ the following strategies:

- **Establishment of Paternity:** Improve the establishment of paternity through: a policy of rebuttable presumption of paternity based on genetic test results of 99%; expansion of administrative process to obtain orders for child support after admission of paternity is obtained; setting performance standards to measure progress; continue to improve enforcement of good cause exemption guidelines; improve interview process to gain greater parental cooperation; expand use of social services to work with fathers and improve determinations, if pilot is successful.

- **Child Support:** MFIP would implement the following strategies to assure children the financial support of both parents: expand administrative process project pending favorable outcomes; implement automatic income withholding; enhance monitoring of county child support programs to improve effectiveness; establish process to refer noncustodial parents to employment and training services if they are unemployed or underemployed.

- **Emphasis on Education and Training:** MFIP would emphasize education and training as the primary self-sufficiency activities for all participants. Pursuing education and training will help participants secure higher paying jobs so families can escape dependency on welfare.

- **Early Intervention with Minor Parents:** Minor parents participating in MFIP would be required to begin developing a contract for self-sufficiency immediately. Completion of high school or its equivalent would be the first priority for the parent.

- **Intervention Based on Time on Assistance:** MFIP would establish transitional expectations with single parents after 24 months of participation, regardless of child's age. This strategy assures that no family will remain on MFIP for an extended period of time without intervention.

WHAT OTHER EFFORTS PROVIDE IMPORTANT SUPPORT TO MFIP?

MFIP is only part of a comprehensive strategy to help disadvantaged Minnesota families. Other efforts are necessary to strengthen families, and to complement MFIP's attempt to redirect the welfare system toward this goal. Many of these activities have been proposed or are already being implemented in Minnesota. They include:

- Education: Improve access to and availability of all educational programs. The coordination of support services like child care with secondary, adult basic and post-secondary education would help disadvantaged populations take advantage of educational opportunities.

- Early Childhood Programs: Availability of these programs is imperative to helping disadvantaged families. Improving the quality of programs and connecting the programs to MFIP participants are also important steps.

- Educational Services for Teenagers: Continue efforts aimed at helping prevent dropouts, especially services aimed at keeping teen parents in school.

- Teenage Health Services and Pregnancy Prevention: Improve and expand existing services, including: access to comprehensive physical and mental health services

through schools or community sources; further develop models for health/family life curricula, including pregnancy, parenting and male responsibility; use of EPSDT outreach for adolescent and preadolescent MFIP participants; improve outreach of prenatal care resources.

WHAT ADMINISTRATIVE STEPS MUST BE TAKEN TO IMPLEMENT MFIP?

MFIP represents a massive change from the current system. Conversion from the current system to MFIP would require major efforts in many areas: staff development, program marketing, coordinated local planning, structured conversion of caseload, adaptation of automated operations (MAXIS), revision of basic manuals, forms and procedures, among other efforts.

THE MINNESOTA FAMILY INVESTMENT PLAN (MFIP)
III. HOW DO WE PROCEED TOWARD MFIP?

WHAT IS THE PROPOSED DEVELOPMENT PLAN AND SCHEDULE?

PHASE I: Endorsement and Authorization (C.Y. 1989)

MAJOR STEPS

- Gain the endorsement of the Minnesota legislature for (1) the principles of MFIP and (2) the seeking of Congressional authorization
- Obtain Congressional waivers of law and authorization to proceed with Field Trials

PHASE II: Design of Field Trials (C.Y. 1990 - 1992)

MAJOR STEPS

- Select a consultant for design and evaluation.
- Negotiate terms of waiver and funding with federal agencies.
- Select sites for the trials.
- Obtain state legislation which supplies policy details and appropriates funds for Field Trials.
- Complete technical design of program, operations and evaluation. Prepare for implementation.

PHASE III: Conduct Field Trials (C.Y. 1993 - 1997/20001)

Note: The duration of the field trial can not be precisely specified at this time. However, several years will be required.

PHASE IV: Decision on State-wide Implementation

- Assess results. Report to legislature and the federal government.
- If results justify, seek state legislation and federal authorization to implement program state-wide.

WHY ARE FIELD TRIALS CALLED FOR?

Field Trials - *description*

It is proposed that operations begin in only part of the state and involve a limited number of families. These operations will be designed as a test of MFIP. The field trials might involve one urban site and one rural area, and the number of participating families may be less than 10% of the potential state-wide population of families using public assistance. The field trials would run for several years.

Specifications for these trials will be shaped, in part, by the statistical and audit criteria necessary to evaluate the program's impact and to account for expenditures.

Field Trials - *purpose*

- Field Trials are necessary to determine whether MFIP should be adopted or abandoned.

- Field Trials limit risks. By confining operations to a small portion of the potential state-wide caseload, exposure of clients and dollars to a new and untested program will be limited.

- Field Trials enable further development of the program in an operational environment. Operational problems can be detected. Models can be worked out for eventual replication state-wide, should MFIP be adopted.

- Field Trials would produce empirical data and other information necessary for the type of fiscal projections and impact analyses required for policy design, cost accounting, and effects on certain populations.

WHY SUCH A LONG PERIOD OF DEVELOPMENT AND TESTING BEFORE STATE-WIDE IMPLEMENTATION WOULD BE CONSIDERED?

- A *careful* examination of MFIP is necessary.

The problems of the current system create a strong case for looking for a better system. However, it can not yet be concluded that MFIP is the proper fix. And, even if MFIP is the best alternative to the current system, it is not clear any increased costs would be justified by increased benefits.

- A *lengthy* field trial is necessary.

The effects of the program will not be clear or measurable for some time.
- A radical and total change in programs means a lengthy start-up period.

- The effects on problems such as long term dependency are visible only with the passage of time.

TESTIMONY OF

ROBERT J. FERSH

EXECUTIVE DIRECTOR

FOOD RESEARCH AND ACTION CENTER

Good afternoon. My name is Robert Fersh, and I am the executive director of the Food Research and Action Center here in Washington. FRAC, as we are commonly called, is an organization that works to alleviate hunger and poverty in the United States. We work on many different levels, but our particular area of expertise is federal food assistance programs.

My primary role today is to present our views on the pending legislation to authorize the Family Investment Plan demonstration proposed by the State of Minnesota (MFIP). We would like to thank you, Mr. Chairman, as well as Representative Emerson, for taking the time to solicit broad input on this proposal before moving ahead. Any proposal to depart from the established procedures of the Food Stamp Program should be closely examined for its potential implications for the Food Stamp Program and the very low income Americans who must depend on food stamps for a chance to obtain adequate nutrition.

Overview

There is no question that the current system of subsistence benefit programs could stand much improvement. Combined AFDC and food stamp benefit levels uniformly leave households below the poverty line, often well below it. The system of AFDC grant calculation in most states provides powerful disincentives for work. The Food Stamp Program in turn provides significant disincentives to states contemplating raising AFDC benefit levels to more realistic levels. An obsession with perceived fraud and overissuances, reflected in the quality control system and other

USDA policies over the last several years, has skewed the administration of public benefit programs away from concerns of service delivery and towards the imposition of excessive paperwork requirements. And, as Representative Emerson has eloquently pointed out on numerous occasions, varying program requirements can create their own barriers to participation and undermine the concept of one-stop shopping.

Nonetheless, as flawed as the current system is, it is one on which millions of desperately poor Americans depend. In any effort to improve the operations of these basic low-income programs, we must be very careful that we do not undermine the vital social safety net upon which they depend. This concern is no less relevant when the proposal under consideration is a presented as a "demonstration" or "pilot project": we do not want to subject our fellow citizens to hunger and deprivation in the name of "experimentation."

We therefore urge you to consider any proposed waivers or demonstrations with both an open mind and a penetrating eye. We would like to suggest some of the most significant considerations we believe should guide this Committee in particular in weighing proposals such as the one we expect to be submitted by Minnesota. By highlighting these considerations, we do not be any means intend to suggest that this is anything like a complete list. We focus on these issues because they are some of the most basic and because they are illustrative of those that will be common to many proposals.

We cannot, at this time, give the Committee a recommendation as to whether or not it should move forward with authorizing this demonstration. Although we have had extensive and very positive conversations with representatives of the Minnesota Department, we have not, as of this morning, seen any final proposed legislative language from them. The task of reformulating basic federal assistance programs with appropriate safeguards for recipients is a complicated one and the strength and clarity of the detailed protections are crucial. Because we believe that the Minnesota Department is proceeding in good faith, and because we do believe there are several interesting and meritorious aspects to what they propose, we are assuming for purposes of this testimony that the final legislative language effectively carries out the provisions to which they have agreed. We hope that after seeing final language, and if necessary meeting further with the Minnesota Department and the Committee's staff, we will be able to endorse this proposal in full.

Cash-out

Distribution of food assistance as coupons has been crucial both to the Food Stamp Program's political support and to its effectiveness in combatting hunger. Although many states have at least considered cashing-out food stamps, we would urge the Committee to exercise extreme caution in authorizing such a change. By requiring that the assistance be provided in the form of food stamps, immune to the claims of creditors, the Program assures that some resources will be available for food. Evidence is mounting

that a significant cause of hunger is the sharply rising cost of housing for low-income households, which is causing shelter costs to crowd all other needs, including food, out of families' budgets. The Center on Budget and Policy Priorities recently reported that forty-five percent of low-income renters spend at least seventy percent of their incomes on shelter. In many states, landlords routinely set their rents at, or a few dollars below, the maximum public assistance grant levels.

Cashing out food stamps in such an environment only invites landlords to raise their rents further and consume some or most of the households' food budgets. This apparently has been less of a problem in Puerto Rico because that Commonwealth has pervasive rent control and a very large stock of subsidized housing. Few other jurisdictions are in this position. Also, cashing out food stamps in a state with a sales tax on food will defeat the Food Stamp Act's prohibition on taxing food purchased with assistance under the Program.

These concerns notwithstanding, the MFIP proposal probably presents about the best possible circumstances for implementation of a cash-out demonstration. Minnesota does not have rent control, but it has consistently maintained one of the highest public assistance grant levels in the nation. At least at present, it does not appear that the rents of low-income tenants in Minnesota are pegged nearly as closely to the public assistance grant levels as is the case in many other states. With market forces already keeping rents below the maximum that could be exacted from public

assistance households, we hope that the cash-out Minnesota proposes will not diminish the food resources that households have available. We also note that Minnesota does not have any sales tax on food in general and therefore no tax will be charged on food purchased with cashed out food stamps.

Hold Harmless

The Food Stamp Program has been carefully crafted over the years to target its benefits on those in the most extreme poverty. Without food stamps, millions of recipient households would have little chance of obtaining a nutritionally adequate diet. The Program has also recognized that not all gross income coming into a household is available for food. Working households, for example, are subject to paycheck withholding of various kinds and usually cannot avoid paying for child care. Elderly and disabled households' food purchasing power may be greatly reduced if they must pay significant medical costs out of their pockets.

Perhaps most importantly, households with high shelter costs must meet those costs, even at the cost of being unable to afford adequate nutrition, or face the grim prospect of homelessness. The Food Stamp Program provides a shelter deduction for only those households whose shelter costs are so high that they exceed half of the household's disposable income. Without this deduction as part of the food stamp benefit calculation process, households would truly face a choice between heating and eating.

Many proposals that have been advanced for simplifying the Food Stamp Program involve curtailing or eliminating the deductions

provided under current law. Although we understand the appeal of these approaches from a purely administrative perspective, the effect upon the families depending on the Food Stamp Program would be devastating. Even if the aggregate amount of benefits is held constant or possibly increased, the effect on the nutritional status of certain households most dependent on the Program could be devastating.

We are pleased to note that Minnesota's proposal addresses this issue in a manner that is responsible as well as innovative. The proposed authorizing language would provide firm, across-the-board "hold harmless" for all households, guaranteeing that none would receive any fewer benefits than they would otherwise get under the Food Stamp Program. Minnesota is pursuing simplification by raising households up to a new level so that the regular benefit system without some of the current allowances and deductions would be more generous than current law provides. If Minnesota does indeed find that the benefits of simplification are substantial, this may present a case for similar efforts to raise benefits generally to a level that would protect the households now relying on individual deductions.

Application Processing and Other Procedural Protections

One of the features of the Food Stamp Program that most directly combats acute hunger emergencies is expedited service, providing a first food stamp allotment within five days to households in the most dire circumstances. The Program also requires that all households receive decisions on their

applications--and food stamps, if they are eligible--within thirty (30) days to assure that aid is made promptly available to those in need. Last year's Hunger Prevention Act made significant strides toward simplifying the food stamp application process and limiting excessive demands for verification from households. These and a series of other, related procedural rights have been crucial to making the Program genuinely accessible to those in need.

We believe that the Committee should approve no demonstration proposals that do not require full compliance with these essential rights. We also believe that the state proposing a demonstration must bear the burden of any additional procedures that may be necessary to allow the demonstration and the Food Stamp Program to co-exist effectively. And we would severely question the advisability of authorizing a demonstration project in a state where there has been significant evidence that existing protections for applicants' and recipients' rights have not been scrupulously observed.

The authorization language proposed by Minnesota would require the State's continued adherence to all of the basic procedural protections that applicants and recipients enjoy under the Food Stamp Program. It would also require the State to process all applications for benefits under the demonstration as food stamp applications if the household was not found eligible for MFIP and would require the State to put all eligible households onto the Food Stamp Program prior to terminating them from MFIP. Households voluntarily leaving MFIP would receive information about the Food

Stamp Program and an application for food stamps. We are aware of no evidence to suggest that Minnesota is not currently fulfilling its obligations under the protections of households' rights under the existing federal programs; we therefore see no reason to doubt that the State will faithfully adhere to these requirements and make the new program equally accessible.

Clear Program Requirements

One of the great virtues of the Food Stamp Act is its clarity and completeness in setting out the terms of this vital federal entitlement. Since 1978, we also have had a comprehensive set of federal rules controlling the Program. The Committee should be extremely leery of relinquishing federal control over the Food Stamp Program by authorizing vaguely-defined state proposals to deviate from federal rules.

Any state proposal, whether or not it is called a "demonstration," should be defined in clear, specific and binding terms before Congress gives its assent. This could be done either with specific federal authorizing language or with a specific state statute and federal legislation preventing the state from changing the terms of its statute without approval from Congress. This latter approach was followed with the 1987 authorization of a demonstration project in the State of Washington. I would note that this did not prevent appropriate state flexibility in implementation: when the state encountered a problem that it felt it had not fully anticipated, Congress rapidly approved an amendment to allow the State to make the change it desired.

We are concerned that some drafts of the federal authorizing language for the Minnesota project do not provide the same degree of clarity that the Washington State language did. We understand that the State will need to fill in many details not included in the state legislation that it passed this year, but we do not believe Congress can fairly be asked to authorize a change of this magnitude based on state legislation that may be revised or broadly reconstituted after federal approval is granted. We are unsure what language Minnesota will propose on this issue. We also believe that somewhat greater specificity may be needed on the federal level because of the broadness of the Minnesota legislation.

Status Under Other Programs

The Food Stamp Act prevents food stamps from being counted as income or resources under any other federal, state or local means-tested program. This serves to preserve the value of food assistance and ensure that households do not have to divert their food dollars to meet other needs that would otherwise be covered by other public programs. In addition, several programs make food stamp recipients wholly or partially categorically eligible for their benefits.

Any authorization that includes a cash-out, as the one Minnesota is seeking does, must include safeguards to ensure that food stamp recipients will not lose rights under other programs by virtue of the cash-out. Although we understand that the Minnesota proposal will include some language to this effect, we believe it

is vital that a portion of the combined MFIP benefits that is no less than what households would otherwise receive in food stamps be excluded from consideration under all other programs. If the amount excluded is less than the amount of food stamps the household would otherwise have received, households will, for example, see their public housing rents rise for no other reason than their participation in this project.

Reasonable Work Requirements

We believe that education, training and employment services have an important part to play in helping households achieve long-term economic independence and freedom from hunger. We believe that the vast majority of food stamp recipients wish to increase their self-sufficiency and reach the point where they no longer need food stamps. The success of voluntary employment and training programs that offer real, meaningful services provides a model that states proposing new initiatives in this area would do well to study. At a minimum, mandates should be not be extended to persons for whom participation would form a significant hardship and for whom it is not likely to lead to meaningful employment opportunities.

We are deeply concerned that the Minnesota proposal does not adequately address the very significant issues surrounding the use of mandatory programs. The latest draft of the Minnesota proposal that we have seen would seriously undermine protections in this area that currently exist in both the Food Stamp and AFDC Programs.

Additional Conditions of Eligibility

The Food Stamp Act, in both sections 5(b) and 11(e)(5), explicitly prohibits states from requiring households to meet any additional conditions of eligibility not provided in federal law in order to receive food stamps. Any program combining food stamps with AFDC inherently runs the risk that AFDC conditions that are not applicable to food stamps will be imposed on households. Moreover, without specific assurances to the contrary, there is the danger that the state or individual eligibility workers may place further hurdles in the way of households needing food assistance beyond those accepted in any federal program.

One of the Food Stamp Program's great virtues over the years has been that it sought not to intrude upon the personal lives and choices of households except to the minimum extent necessary to ensure the integrity of the Program and to provide for reasonable incentives for education, training, and work. Any federal authorization of a state proposal should include a firm prohibition on any new conditions on eligibility that are not specifically authorized by federal law. If criteria from other programs included in the project are to be imposed, households not willing or able to meet those conditions should be given the option of simply receiving food stamps instead. This right is especially important to the working poor and short-term users of the Program such as migrant farm workers. We are unsure how Minnesota proposes to resolve this issue in its federal legislative proposal.

Conclusion

Thank you for the opportunity to testify. We at FRAC stand ready to assist the Subcommittee in any way we can. We are confident that, under the leadership of Representatives Hatcher and Emerson, this Subcommittee will press forward in the vitally important work of ameliorating and ultimately eliminating hunger in America. We are also most pleased to see the Subcommittee giving this authorizing legislation the careful scrutiny that any proposal of this magnitude requires.

CENTER ON BUDGET AND POLICY PRIORITIES

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Robert Greenstein
Director

July 11, 1989

Representative Charles Hatcher
Chairman, Subcommittee on Domestic Marketing,
Consumer Relations, and Nutrition
House Committee on Agriculture
1301 Longworth Building
Washington, D.C. 20515

Dear Mr. Chairman:

In response to the Subcommittee's request, I am writing to provide our views on the proposed demonstration project in the State of Minnesota.

We have examined the proposed project. State officials have gone out of their way to consult with us throughout the development of this project and have carefully considered the various comments we have given them.

While we have not seen the final legislative language being proposed to the Agriculture Committee and would appreciate the opportunity to review it when it is available, we have reviewed a recent draft of this language and have no objection to it. (We had some minor concerns, mostly of a technical drafting nature, and believe these are now being addressed.) It is our understanding that the project would not adversely affect food stamp households and also that it would not add to federal cost. Moreover, some families may benefit from the demonstration.

There is one issue about which we continue to have significant concern, but this is an issue under the jurisdiction of the Committee on Ways and Means, and we hope that it will be satisfactorily resolved by that Committee.

Accordingly, we expect that when final language is prepared and the remaining issues being considered by the Ways and Means Committee are resolved, we will recommend that favorable consideration be given to this proposal.

Sincerely,

Robert Greenstein
Executive Director

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